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ABSTRACT

The Subcommittee on Immigration and Claims of the House Committee on the Judiciary met to hear testimony on the benefits to American workers, businesses, citizens, and legal residents of more educated immigrants in the national workforce. Statements were given by the following persons: (1) Lamar Smith, U.S. Congressman from Texas; (2) William Archey, president and chief executive officer, American Electronics Association; (3) Bebecca Quan Burdette, attorney-at-law; (4) Barry Chiswick, Department of Economics, University of Illinois, Chicago; (5) Stephen F. Clarke, senior legal specialist, Law Library of Congress; (6) James R. Edwards, Jr., researcher and author; (7) Randel K. Johnson, vice president, Labor and Employee Benefits, U.S. Chamber of Commerce; (9) Richard W. Judy, director, Center for Workforce Development, Hudson Institute; (10) Laura Reiff, attorney-at-law; and (11) Kersi B. Shroff, legal specialist, Law Library of Congress. (Eleven appendices contain the written statement of these witnesses and others submitted for the record.) (AJ)

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BENEFITS TO THE AMERICAN ECONOMY OF A MORE EDUCATED WORKFORCE

HEARING BEFORE THE SUBCOMMITTEE ON IMMIGRATION AND CLAIMS OF THE COMMITTEE ON THE JUDICIARY HOUSE OF REPRESENTATIVES ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

MARCH 25, 1999

Serial No. 35

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BENEFITS TO THE AMERICAN ECONOMY OF A MORE EDUCATED WORKFORCE

THURSDAY, MARCH 25, 1999

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON IMMIGRATION
AND CLAIMS,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The subcommittee met, pursuant to call, at 9:50 a.m., in Room 2237, Rayburn House Office Building, Lamar Smith (Chairman of the Subcommittee) presiding.

Present: Representatives Elton Gallegly, Edward Pease, Bob Goodlatte, Sheila Jackson Lee, Zoe Lofgren and Martin Meehan.

Staff present: George Fishman, Chief Counsel; Judy Knott, Staff Assistant; and Leon Buck, Minority Counsel.

OPENING STATEMENT OF CHAIRMAN SMITH

Mr. SMITH. The Subcommittee on Immigration and Claims will come to order. Let me say at the outset that we appreciate everybody being here today. This is an extremely important subject and an extremely important hearing.

Even though we are in competition with the media today for certain actions taken in Kosovo, nevertheless we still have the record and we will still make good use of the comments and testimony that we hear today.

I have an opening statement. I suspect the Ranking Member has an opening statement. Let me also thank Mr. Gallegly for being here as well. It is early, but we appreciate the effort.

Two weeks ago, witnesses testified about the disastrous consequences of current immigration policy on the opportunities of American workers with no more than a high school education.

Studies documented that the admission each year of more than 300,000 new immigrants without a high school education undercuts opportunity, particularly for recent immigrants, for Blacks, and Hispanic citizens.

Today, the committee will hear witnesses comment on the benefits to American workers, businesses, citizens, and legal residents of more educated immigrants. Let us look at the facts. First, immigrants will account for half of the increase in the workforce in the 1990's.

Second, the skill level of immigrants, relative to Americans, has been declining for years. At least 35 percent of immigrant workers who have arrived since 1990 do not have a high school education, compared to just 9 percent of native born workers.

(1)

Some 300,000 legal immigrants without high school educations arrive each year. The total will be nearly 3 million for this decade.

Third, 9 out of 10 new jobs will require more than a high school education. The Labor Department's Bureau of Labor Statistics projects that demand for those with a Bachelor's degree or an Associate degree will increase at the greatest rate. The mismatch is clear. Nearly half of all immigrants today are not prepared for the jobs of the future.

The Hudson Institute concludes in *Workforce 2020* that "Current law may permit the immigration of too many uneducated workers who will lack the skills to prosper in tomorrow's economy." The Bureau of Labor Statistics also estimates that the workforce will grow each year by an average of 1.8 million workers through the year 2006.

Incredibly, the Government's own numbers show that among new entrants into the workforce each year for the foreseeable future, there will be 1.8 million new workers, the very number by which the workforce is expected to grow each year, that do not have either a high school education or the skills required for 9 out of every 10 new jobs. These include 544,000 high school dropouts, 950,000 individuals moving from Welfare to work, and 300,000 legal immigrants without a high school education.

The conclusion is inescapable. Our immigration policy is undermining our efforts to build a workforce that can fill 9 out of every 10 jobs the American economy is creating. Admitting fewer immigrants without a high school education would most benefit poor prior immigrants, and Black, and Hispanic citizens.

We could ease the crushing burden many of them have to bear competing with new immigrants for jobs and wages. Next, the benefit would be the American economy and American firms trying to prosper in this era of global competition. The American industry is pleading for more skilled and educated workers.

The chairman of the National Association of Manufacturers stated recently that, "The shortage of skilled employees is not a distant threat anymore. The skills gap is now catching up to us and could threaten the amazing growth and productivity gains of the past decade. Finding an adequate supply of qualified employees is the number one issue for American industry today."

NAM found that 88 percent of manufacturers are experiencing a shortage of qualified workers. Sixty percent find that current workers lack basic math skills, and that 55 percent find serious deficiencies in workers' basic writing and comprehension skills.

These problems can be solved with more educated workers. Because immigration accounts for such a high percentage of workforce growth and emphasis on more educated immigrants would be an important part of the solution. The result would be a more productive American economy and more productive American businesses.

As the productivity of the American economy increases, so will the prosperity of all Americans. American citizens and legal residents will benefit in another way from more educated immigrants. To borrow a line from an upcoming book by George Borhaas, "Skilled immigrants earn more, pay higher taxes, and require fewer social services than less skilled immigrants."

The National Academy of Sciences states that over his or her lifetime each immigrant with less than a high school education will cost American taxpayers \$89,000. That is the Government's benefits consumed by each immigrant will exceed taxes paid by \$89,000.

To citizens concerned about how we are to rebuild our schools and protect and preserve Social Security in the next Century, these numbers should set off alarms. With more than 300,000 immigrant workers with less than a high school education entering our country this year will require \$27 billion more in Government services and benefits than they will contribute in taxes.

That is \$27 billion that will not be available to rebuild our schools and protect and preserve Social Security and Medicare. Next year, another 300,000 plus immigrant workers will enter the country with less than a high school education.

Over their lifetimes, they will claim another \$27 billion that could provide education and training to recent immigrants, and Black, and Hispanic citizens who have less than a high school education and who are disadvantaged in our economy.

Common sense says that we should align our immigration policy with the needs of America. The economy is crying out for more educated workers. One of the easiest and most cost free ways of providing these workers is through immigration reform. Doing so would mean more economic opportunity for all Americans.

That concludes my opening statement. The gentlewoman from Texas is recognized for hers.

[The prepared statement of Chairman Smith follows:]

PREPARED STATEMENT OF HON. LAMAR SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS, AND CHAIRMAN, SUBCOMMITTEE ON IMMIGRATION AND CLAIMS

Two weeks ago witnesses testified about the disastrous consequences of current immigration policy on the opportunities of American workers with no more than a high school education. Studies documented that the admission each year of more than 300,000 new immigrants without a high school education undercuts opportunity particularly for recent immigrants, and black and Hispanic citizens.

Today, the committee will hear witnesses comment on the benefits to American workers, businesses, citizens, and legal residents of more educated immigrants.

Lets look at the facts:

First: Immigrants will account for half of the increase in the workforce in the 1990s.

Second: The skill level of immigrants relative to Americans has been declining for years—at least 35% of immigrant workers who have arrived since 1990 do not have a high school education, compared to 9% of native-born workers. Some 300,000 legal immigrants without high school educations arrive each year—and will total more than three million this decade.

Third: Nine out of ten new jobs will require more than a high school education. The Labor Department's Bureau of Labor Statistics projects that demand for those with a bachelor's degree or an associate degree will increase at the greatest rate.

The mismatch is clear. Nearly half of all immigrants today are not prepared for the jobs of the future. The Hudson Institute concludes in *Workforce 2020* that "[c]urrent law may permit the immigration of too many uneducated workers who will lack the skills to prosper in tomorrow's economy."

The Bureau of Labor Statistics also estimates that the workforce will grow each year by an average of 1.8 million workers through the year 2006.

Incredibly, the government's own numbers show that among new entrants into the work force each year for the foreseeable future there will be 1.8 million new workers—the very number by which the workforce is expected to grow each year—that do not have either a high school education or the skills required for nine out of every ten new jobs. These include 544,000 high school dropouts, 966,000 individuals moving from welfare to work, and 300,000 legal immigrants without a high school education.

The conclusion is inescapable: our immigration policy is undermining our efforts to build a workforce that can fill nine out of every ten jobs the American economy is creating.

Admitting fewer immigrants without a high school education would most benefit prior immigrants and black and Hispanic citizens. We could ease the crushing burden many of them have to bear competing with new immigrants for jobs and wages.

Next to benefit would be the American economy and American firms trying to prosper in this era of global competition. American industry is pleading for more skilled and educated workers.

The Chairman of the National Association of Manufacturers stated recently that "the shortage of skilled employees is not a distant threat anymore. The skills gap is now catching up to us and could threaten the amazing growth and productivity gains of the past decade. Finding an adequate supply of qualified employees is the number one issue for American industry today."

NAM found that 88% of manufacturers are experiencing a shortage of qualified workers, 60% find that current workers lack basic math skills and that 55% find serious deficiencies in workers' basic writing and comprehension skills.

These problems can be solved with more educated workers. And because immigration accounts for such a high percentage of workforce growth, an emphasis on more educated immigrants would be an important part of the solution. The result will be a more productive American economy and more productive American businesses. And as the productivity of the American economy increases, so will the prosperity of all Americans.

American citizens and legal residents will benefit in another way from more educated immigrants. To borrow a line from an upcoming book by George Borjas, "[s]killed immigrants earn more, pay higher taxes, and require fewer social services than less-skilled immigrants."

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Common sense says that we should align our immigration policy with the needs of America. The economy is crying out for more educated workers and one of the easiest and most cost-free ways of providing these workers is through immigration reform. Doing so would mean more economic opportunity for all Americans.

Ms. JACKSON LEE. Thank you very much, Mr Chairman. Thank you for this hearing, which I expect will be extremely informative. Let me indicate to both the panels and as well the members of the audience that it happens very frequently in this Congress that there are duplicate scheduling.

Presently there will be a meeting, a hearing, and a mark-up of another committee that I am a member of. I may be called to attend that hearing and mark-up. I appreciate the chairman indicating before we started that will discuss the starting time of 9:45 a.m., which I do think is particularly early. I appreciate his willingness to discuss that with me.

Let me say that we have had a series of important hearings. I would hope that we would have an opportunity, as we have had hearings that focus really on the negative impact of immigration, that we will look in the months and weeks to come to talk about

how immigration has impacted and integrated itself into American society.

I say that because my understanding of really the pattern of immigration, short of maybe these last 10 or 15 years is that immigrants would come for reasons of political freedom, economic opportunity, and take those positions usually that Americans did not take, were not available to take and lift themselves up by the boots that they would put on. As they lifted themselves, they would raise the boat of Americans already here.

My question as it relates to low skilled workers is the question of why the American employer does not seek to hire the American worker; why we cannot collectively emphasize the issue of training American workers to make them available for the high skilled positions? It is an interesting phenomena.

I do believe this hearing will give us greater information. Recent economic reports suggest that a strong economy, coupled with the need for low and high skilled workers is creating a demand for immigrant workers. Data analyzed by a recent National Bureau of Economic Research Study found that the average skill levels of legal immigrants from 1972 to 1995 arising when compared to the native born U.S. population.

In fact, the labor market skills of male legal immigrants has been as high or higher on average than that of native born workers. This strong labor market has sharply reduced unemployment for workers with all levels of education.

It is no secret that at this time, the U.S. economy is booming, that unemployment rates are at a record low level, 4.3 percent. The increase in the employment rate has actually been greater for workers without a high school diploma than it has for workers with more education.

There has been more than a 9 percent increase for those with less than a high school education; a 2.5 percent increase with a high school diploma and some college education; and only about a 1 percent increase for those with a college degree.

According to the White House Counsel and economic advisors in the 1999 Economic Report of the President, the economy has been creating a large enough number of low skilled jobs to employ more people without a high school education and keep employed those already in the workforce.

Another economy might warrant a different discussion. It is a proven fact, Mr. Chairman, that although employers are now demanding a more highly education workforce, they also continue to need workers across the entire spectrum of labor skills.

According to the Congressional Research Service Report to Congress, the skill distribution of employment in the year 2005 will look more like it did in 1994. About 50 percent of the jobs will require post secondary education and the other 50 percent no more than a high school diploma or less.

According to another Congressional Research Service Report, the transition from a goods to a service producing economy is ongoing in this country and will require employees with low level skills. The retail trade and service industries will continue to employ clerks, cashiers, sales workers, home health aids, nursing aids, child care workers where little formal education is required.

Certain industries are particularly facing significant labor shortages: the hospitality industry and the consumer service sector are among the many fields that are being hit hardest by the labor shortage.

Mr. Chairman I have always or have recently chastised the American economy for becoming service oriented because I believe that we should not abandon our ability to manufacture. The reality is that these industries are growing.

For example, the American Hotel and Motel Association has stated that the need for more employers is one of the most serious, if not the most serious, problem facing the hospitality industry in many regions of the United States.

The President and Chief Executive Officer of the U.S. Chamber of Commerce, Thomas Donahue, in a speech in Nashville, Tennessee, said that the economy would need 52 million new workers in the next 10 years and 30 million of them must come from sources other than the existing workforce, including immigration.

It is a proven fact, Mr. Chairman, that low skilled immigrants are making positive contributions to the local economies where they reside. In Eastern North Carolina a recent study showed that of new Hispanic immigrants, many of them low skilled jobs, contribute between 1.3 billion and 2 billion annually to that area's economy.

The Regional Development Institute at East Carolina University, which conducted the study, said that this has a huge impact for the economy of the region. In Pottsville, Iowa, a kosher meat packing plant—immigrants from Russia, Mexico, Guatemala, the Ukraine, Nigeria, Bosnia, and the Czech Republic and they have boosted the sales of local merchants and spurred development in a town that has long been stagnant.

Finally, Mr. Chairman, let me proudly acknowledge one of the success stories that I have come to be aware of, a woman who has joined us today. Her name is Sarian Bouma. She is a self-made entrepreneur who built a successful cleaning franchise.

She was born in Sierre Leone and came to the United States in 1974 to attend college. After a failed marriage, she was forced to leave college and accept Welfare in order for her to take care of her infant son. While on Welfare she realized how difficult it was to care for herself and her son with barely enough to live on.

In 1987, Mr. Chairman, Ms. Bouma took matters into her own hands. She purchased a cleaning franchise and began with one contract, with 200 square feet of office space, and one employee. Five years later in 1992, she secured a small business loan for minority entrepreneurs. Today she runs Capital Hill Building Maintenance, Inc., directing cleaning services for over 2 million square feet of space, employing about 200 loyal staff members and generating \$1,750,000 in sales.

The Governor of Maryland recently appointed Ms. Bouma as a Cabinet member of Maryland's Economic Development Commission. She was recently named as Small Business Administration's 1998 Entrepreneur of the Year. Mr. Chairman I think examples like that, along with her staff person, Rosalina Riviera from El Salvador, who is Executive Assistant to Ms. Bouma, and as well a

land owner gives us proof in the pudding that we can all work together on these issues.

I close, Mr. Chairman by simply acknowledging a witness of which you will introduce, but I particularly want to welcome Rebecca Burdette, an experienced immigration lawyer, and as well knowledgeable about the impact in particular in a very growing economy in Houston and in the State of Texas on how immigrants and immigration fits into the economy of the United States of America.

I thank you, Mr. Chairman, for your indulgence and your kindness.

[The prepared statement of Ms. Jackson Lee follows:]

PREPARED STATEMENT OF HON. SHEILA JACKSON LEE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS

Thank-you Mr. Chairman for holding such an important hearing on the subject of the American economy and how it relates to the education of our work force. This particular topic is germane to this subcommittee because of the obvious impact that immigration has on the American workforce.

Recent economic reports suggest that the strong economy, coupled with the need for low and high skilled workers, is creating a demand for immigrant workers.

Data analyzed by a recent National Bureau of Economic Research study found that the average skill levels of legal immigrants from 1972-1995 are rising when compared to the native born U.S. population. In fact, the labor market skills of male legal immigrants have been as high or higher on average than that of native-born workers.

The strong labor market has sharply reduced unemployment for workers with all levels of education. It is no secret that the U.S. economy is booming and that unemployment rates are at record low levels. (4.3%). The increase in the employment rate has actually been greater for workers without a high school diploma than it has for workers with more education. There has been more than a 9% increase for those with less than a high school education, 2.5% increase for those with a high school diploma and some college education, and only about a 1% increase for those with a college degree. According to the White House Council of Economic Advisors' 1999 Economic Report of the President, "the economy has been creating a large enough number of low-skilled jobs to employ more people without a high school education and to keep employed those already in the workforce."

It is a proven fact Mr. Chairman that although employers are now demanding a more highly educated workforce, they also continue to need workers across the entire spectrum of labor skills.

According to a Congressional Research Service Report to Congress,

"the skill distribution of employment in the year 2005 will look much like it did in 1994: about 50% of the jobs will require post secondary education, and the other 50% no more than a high school diploma or less."

According to another Congressional Research Service Report "the transition from a goods-to a service-producing economy is ongoing in this country, and will require employees with low level skills." The retail trade and service industries will continue to employ clerks, cashiers, sales workers, home health aides, nursing aides and child care workers where little formal education is required.

Certain industries are facing a particularly significant labor shortage. The hospitality industry and the consumer service sector are among the many fields that are being hit hardest by the labor shortage. For example, the American Hotel and Motel Association has stated that the need for more employers "is one of the most serious, if not the most serious, problem facing the hospitality industry in many regions of the U.S."

The President and Chief Executive Officer of the U.S. chamber of Commerce, Thomas Donohue in a speech in Nashville, Tennessee, said "that the economy would need 52 million new workers in the next ten years, and 30 million of them must come from sources other than the existing workforce, including immigration."¹

It is a proven fact Mr. Chairman that low-skilled immigrants are making positive contributions to the local economies where they reside. In Eastern North Carolina,

¹ Speech to the Tennessee Association of Business, February 23, 1999

a recent study showed that new Hispanic immigrants, many of them in low-skill level jobs, contribute between \$1.3 billion and \$2.5 billion annually to that area's economy. The Regional Development Institute at East Carolina University, which conducted the study, said that this had a "huge impact" for the economy of the region.²

In Postville, Iowa, a kosher meat packing plant lured immigrants from Russia, Mexico, Guatemala, Ukraine, Nigeria, Bosnia and the Czech Republic. They have boosted the sales of local merchants and spurred development in a town that had long been stagnant.³

However, perhaps one of the greatest success stories Mr. Chairman is about a woman who has joined us today.

Her name is Sarian Bouma. She is a self-made entrepreneur who built a successful cleaning franchise. She was born in Sierra Leone and came to the United States in 1974 to attend college. After a failed marriage she was forced to leave college and accept welfare in order to take care of her infant son. While on welfare, she realized how difficult it was to care for herself and her son with barely enough to live on. In 1987, Mr. Chairman Ms. Bouma took matters into her own hands. She purchased a cleaning franchise and began with one contract for 200 square feet of office space, and one employee. Five years later, in 1992, she secured a large contract with the assistance from the U.S. Small Business Administration's 8(a) program for minority entrepreneurs. Today, she runs Capitol Hill Building Maintenance, Inc. directing cleaning services for over 2 million square feet of space, employing almost 200 loyal staff members, and generating over \$1,750,000 in annual sales.

Governor Glendening of Maryland recently appointed Ms. Bouma as a cabinet member of Maryland's Economic Development Commission. Ms. Bouma was recently named the Small Business Administration's 1998 Entrepreneur of the Year at both State and National levels.

Mr. Chairman, the example of Ms. Bouma is one of many examples in this country of immigrants who come to work, to contribute to our economy, and who create jobs for other Americans both high-skilled and low-skilled. I am glad that we can conclude that both high and low-skilled workers are needed in this country, as well as all educational levels as evidenced by many success stories. Thank-you Mr. Chairman.

Mr. SMITH. Thank you. Are there other opening statements?

Mr. GALLEGLY. Yes, Mr. Chairman.

Mr. SMITH. Mr. Gallegly of California is recognized.

Mr. GALLEGLY. Thank you, Mr. Chairman.

I do not have an opening statement, but I would just like to follow-up on a comment that the gentlelady from Texas mentioned about starting the meetings early and the number of other hearings and mark-ups we have during the course of the day.

I agree with her, we do all have very busy schedules. I just want to express to you my gratitude for getting started early. I would hope you would consider maybe even starting at 9 a.m., which would give us a lot more flexibility for all of those other meetings that normally do not start until 10 a.m. or 11 a.m.

Thank you, Mr. Chairman.

Mr. SMITH. Thank you Mr. Gallegly.

Actually, that was in an earlier proposal of mine to start at 9 a.m. for that very reason. Any other opening statements?

Ms. LOFGREN. Yes, Mr. Chairman.

Mr. SMITH. Ms. Lofgren of California is recognized.

Ms. LOFGREN. I would just note that I appreciate that you and Chairman Coble have worked out an arrangement that allows IP to meet at 2 p.m. and me to attend this meeting. Secondly, the Science Committee is marking up a series of bills right now. So, they are going to call. If I rush out, a pre-apology to the witnesses. It will be to cast my vote on the Floor.

²The News and Observer, Raleigh, North Carolina, February 27, 1999

³The Dallas Morning News, January 31, 1999.

Thank you.

Mr. SMITH. Thank you for your comments.

The gentlewoman has made the point that almost no matter when we meet, we are going to have conflicts. You are right, we tried to avoid Intellectual Property and ran against the Science Committee, which all three of us sit on as a matter of fact. Any other comments?

[No response.]

Let me introduce the first panel. Professor Barry Chiswick, Department of Economics, University of Illinois at Chicago; Dr. James R. Edwards, Jr., co-author of The Congressional Politics of Immigration Reform; Mr. Richard W. Judy, Director, Center For Workforce Development, from the Hudson Institute; and Ms. Rebecca Burdette; Quan, Burdette and Perez, who has already been introduced by the Ranking Member.

We both point out proudly that she is from Texas; in this case, Houston. Welcome again. Professor Chiswick, if you will start us off.

STATEMENT OF BARRY CHISWICK, DEPARTMENT OF ECONOMICS, UNIVERSITY OF ILLINOIS AT CHICAGO

Mr. CHISWICK. Thank you very much. It is a pleasure to be here. Immigration has made important contributions to U.S. economic growth in the past and will do so in the future. The object is to get the maximum benefits from immigration.

To do that, we need to tailor an immigration policy to what will be most successful in promoting economic growth. The United States economy places a premium on high skilled, professional, technical, and managerial labor. We see this in the increasing returns to skills.

High-skilled immigrants keep the United States at the cutting edge of the new technology, which is essential for a high income, high productivity growth economy.

We also have a concern with income distribution. We have a concern with poverty and low income families.

Although we are currently in a very prosperous time in which unemployment rates are very low, we cannot base policy on the assumption that these highly favorable conditions will last indefinitely. We have a concern for raising the employment and income of the low skilled low income population.

There has been a large increase in low skilled and medium skilled immigration in recent decades. This has been at a consequence, albeit an unintended consequence, of current immigration policy. Family visas, diversity visas, the various amnesties big and small that we have had over the last decade or so have all resulted in a large influx of low skilled immigrants.

These immigrants do not expand the technologically trained workforce. These immigrants compete in the labor market with low skilled native born workers. This has the effect of depressing the relative wages of low skilled workers, of increasing income inequality, and of increasing poverty compared to what it would otherwise be.

The low skilled immigrants also put pressure on the low income housing market, raising rents as well.

Low skilled native born workers are in a double bind. Increased competition in the labor market, and increased competition in the housing market. If you wish a triple bind, increased competition for Welfare dollars or the income transfer dollars.

High skilled immigration has the opposite effect. It expands the technological workforce. This is what is essential to keep the United States at the cutting edge of technology. Our prosperity and our technological advantage are linked to the high skilled workforce.

There is no country that has a workforce as highly trained and as highly motivated as ours. In order to continue to be on the technological frontier which is essential for maintaining our high level of prosperity, we must continue to produce and generate a high skilled workforce.

Now, most of this high skilled workforce will in fact come from the native population. We can augment it through a more rational immigration policy. High skilled immigrants also have the effect of narrowing skill differentials, that is, differences in earnings between high skilled and low skilled workers. This raises the income of low skilled workers. It helps the native born minorities and disadvantaged who, through no fault of their own, do not have high levels of skill. High skilled immigration can be described as a win-win situation.

The question arises, how to structure a skills-based immigration policy. We currently have a small program in Immigration Law, the occupational preferences. This is a targeted employment policy. Employers petition on behalf of specific workers that no qualified American is available and a labor certification is needed.

This system is a farce. At higher wages, of course there will be qualified Americans available. Everybody knows this system is a farce. It is incredibly bureaucratic. Having gotten an employment visa for an Assistant Professor in my Department, I can assure you it is both a farce and bureaucratic. It encourages illegal behavior. It favors applicants already here. How would an employer know about workers who are overseas to petition for an employment-based visa?

Moreover, the Department of Labor is not good at forecasting where specific job vacancies should be or will be in the future. An alternative is to switch our Occupational Preference Program to a Skill-Based Point System in the style of Canada and Australia.

Under this system, if an applicant gets more than a threshold number of points, the applicants would get a visa for himself or herself, the applicant's spouse and minor children. The point system is a way of combining the multi-dimensional elements that enter into the determination of high productivity in the United States.

Points would be awarded for education attainment and educational qualifications, for technological skills, for being in a prime age group, and for proficiency in the English language. These are all major determinants of earnings among immigrants in the American labor market.

A small number of points could also be awarded if the accompanying spouse is highly skilled, or if there is pre-arranged employment, or if there are relatives in the United States who are willing

to serve as sponsors and to post a bond in the event that the immigrant falls on hard times.

This system should not be based at all on race, ethnicity, religion, or country of origin. As a matter of fact, the occupational preference visas in American Immigration Law, as well as in Canada and Australia bring in more minority immigrants.

They bring in immigrants from a wider range of countries than do the traditional kinship based system.

There are many advantages to the Skill-Based Point System. One is it would be much less bureaucratic than the current targeted employment system.

Second, there is no need for pre-arranged employment for finding an employer willing to go through the cumbersome, time consuming expense of applying for a labor certification.

This will reduce illegal behavior, such as, job search as a tourist, visa over-stays, working without a visa. These are all problems that we have inherent in the Occupational Preference System as we currently do it.

The Skill-Based Point System will let the marketplace rather than the Department of Labor decide who enters. High skilled workers with good job prospects will be attracted to the United States. These will be the workers who will be most successful in the American economy. The point system is much more likely to generate a high skilled workforce than would our current targeted Occupational Preference Programs.

The United States is a unique country. We are the country of first choice of most international migrants. The United States can attract the most high skilled, the most highly productive of individuals who seek to leave their own countries.

We can do this by changing the way we operate our immigration system. We should sharply reduce the emphasis on who you are related to, that is, on kinship, and substantially increase the emphasis on what you, as an individual, can do to contribute to the American economy. That is, to shift to an emphasis on skills.

We can do even better by abolishing our current targeted employment program which presumes Government knows best and switching to a point system which lets market forces play a much greater role in influencing the decision of who migrates to the United States.

Now it is sometimes said that an approach favoring skilled workers is anti-family. I disagree with that strenuously. The world that we are entering of the 21st Century is very different than the world of the previous Century.

Families can stay in contact across national borders. Telephones are very inexpensive; transportation is very inexpensive. In a real sense, families are no further apart if they are separated by living in Chicago versus Indianapolis than if they live in Chicago versus Mexico City, or Bangkok, or Johannesburg.

The world is very small. Communication and transportation have become very cheap. A Century ago, immigration to the United States meant severing ties with kinsmen back at home; maybe a letter once a year with the expectation of never seeing these relatives or hearing their voices again.

This is no longer the case. One can pick up the phone and within a few seconds speak to anyplace in the world. One can easily travel to anyplace in the world. Fortunately, tourist visas are readily available. Barriers that other countries had imposed on exit from their countries have declined with the fall of the Soviet Union and the Eastern Block dictatorships.

Mr. SMITH. Professor Chiswick, I hate to interrupt anybody who has come so far as you have to testify, but we do have a 5-minute rule.

Mr. CHISWICK. I am sorry.

Mr. SMITH. If you could conclude, that would be helpful.

Mr. CHISWICK. I will conclude right there. Thank you very much. [The prepared statement of Mr. Chiswick follows:]

PREPARED STATEMENT OF BARRY CHISWICK,¹ DEPARTMENT OF ECONOMICS,
UNIVERSITY OF ILLINOIS AT CHICAGO

SUMMARY

The 1965 Amendments to the Immigration and Nationality Act shifted the focus of U.S. immigration policy for non-refugee visas away from "national origin" and toward kinship with a U.S. citizen or resident alien. A minor role was given to the applicant's own skills. Although revised somewhat in the past 35 years, with significant revisions in 1990, this is still the fundamental principle of immigration policy.

There have been important changes that require a rethinking of U.S. immigration policy. There is increasing international competition in the World Economy. This requires a highly-skilled innovative labor force for the United States to remain at the forefront of technology and economic advancement. The undesirable effects of the widening of income inequality in the United States can be mitigated, in part, by the immigration of high-skilled workers. The falling cost of transportation and communication, and the reduction in legal barriers to foreign travel have made it easier for families that live in different countries to remain in close contact.

These developments reduce the importance of kinship and diversity visas, and emphasize the importance of using immigration policy to enhance the skill level of the labor force. The United States should move to a skills-based point system for rationing immigration visas and sharply reduce the kinship visas (other than for the immediate relatives of U.S. citizens) and eliminate the diversity visas in current immigration law. A skills-based point system is to be preferred to the current occupational targeting and labor certification approach to attracting skilled immigrants.

STATEMENT

Introduction

It has been nearly thirty-five years since the passage of the landmark 1965 Amendments to the Immigration and Nationality Act of 1952. The 1965 Amendments abolished the pernicious "national origins" quota system enacted in the 1920's to severely limit Southern and Eastern European immigration and the remaining racist features of the "Asiatic Barred Zone" that allowed only negligible immigration from Asia outside of the Middle East. The 1965 Amendments, and other immigration amendments in the 1970's, put in place and solidified an immigration policy regime in which the primary determinant for receiving a non-refugee visa was whether the applicant was related to a United States citizen or resident alien. A minor role was given to occupationally based visas.

The Refugee Act of 1980 revised refugee policy and the Immigration Reform and Control Act of 1986 granted amnesty to about three million illegal aliens, and introduced penalties on employers who knowingly hire illegal aliens. Then in the Immigration Act of 1990 the preference system for granting permanent resident alien status to non-refugee applicants was revised. In particular, the role of occupational skills and labor market requirements was somewhat enhanced, that of kinship reduced somewhat, and "diversity visas" were established.

¹These comments reflect my own views, which are not to be attributed to the University of Illinois at Chicago or to the University of Chicago. For a fuller analysis, see Barry R. Chiswick, "The Economic Consequences of Immigration: Application to the United States and Japan" in Myron Weiner and Tadashi Hanami, eds., *Temporary Workers or Future Citizens? Japanese and U.S. Migration Policies*, Macmillan, 1998, pp. 177-208.

The kinship visas include visas issued to the adult married children and siblings of U.S. citizens as well as closer relatives. The diversity visas provide visas for individuals who otherwise would not qualify, but who come from certain countries "adversely affected" by the 1965 Amendments.

Given the current and likely future economic environment the 1990 Act did not go far enough in altering immigration policy. Since 1990 the world economy has become increasingly open and competitive. The maintenance of economic prosperity in the United States will depend increasingly on our international competitive position. High-level technology has become essential for the United States to remain at the forefront of international competitiveness. The demand for a highly-skilled, technologically advanced labor force has increased, while the relative employment opportunities for low-skilled workers has decreased. Most of the high-skilled workers will be native-born Americans educated in our own schools. The United States, however, can use immigration policy to enhance the quality of the labor force. The revisions introduced in the Immigration Act of 1990 were a symbolic recognition of this need to reform immigration policy by taking one small step in this direction. The imperatives of the economy require that larger steps be taken.

U.S. Immigration Policy

The United States admits legal immigrants for two primary reasons. The first is humanitarian. We accept refugees, that is, those with "a well-founded fear of persecution" for political, racial, religious and other reasons, to aid those in distress and to promote freedom. We also accept the immediate relatives of U.S. citizens for humanitarian reasons. It pains us to know that political boundaries can separate parents from young children and husbands from wives.

Immigrants are also accepted for economic reasons. A primary function of our government is to help create an environment in which our largely free-market economy can grow and provide the population with higher levels of economic and social well-being. Immigration has historically been one of the policy instruments used to promote economic growth in America.

The current system for regulating non-refugee immigration visas is based on the Immigration Act of 1990 and related subsequent amendments. These visas are issued primarily on the basis of kinship with a citizen or resident alien of the United States. There is very little scope for allocating visa on the basis of the contribution the applicant is likely to make to the economy of the United States.

The latest Statistical Yearbook available from the Immigration and Naturalization Service with the full range of data is for fiscal year 1996. Of the 915,900 persons who received an immigrant (permanent resident alien) visa in fiscal year 1996, only 51,600 (5.6 percent) were admitted as employment based principals. Of these 11,047 were in the first preference category (priority workers) for persons of extraordinary ability, outstanding researchers, and certain multinational executives and managers. Another 8,870 were admitted under the second preference, professionals with advanced degrees or exceptional ability, while 26,891 were third preference recipients (skilled workers, professionals without advanced degrees, and "needed" unskilled workers). The fourth preference included 3,494 principals (special immigrants including certain religious workers) and the fifth preference 298 principals (employment creation investors). The most highly skilled, the first two preferences, and the employment creation investors combined constituted only 39 percent of the employment-based principals, or only 2.2 percent of all immigrants.

Although those admitted under occupational preferences are numerically few, the occupational preferences are a key source of skilled workers. Of the 11,748 engineers who immigrated to the United States in 1996, 35 percent were occupational-preference recipients, as were 61 percent of the 3,763 natural scientists, 62 percent of the 3,281 mathematical and computer scientists, 50 percent of the 8,278 nurses, and 33 percent of the 4,764 college and university teachers. In total, 34 percent of the 75,267 in the professional specialty and technical occupations entered as employment-based principals.

The immigrant engineers, natural scientists, computer scientists and mathematicians, are essential if we as a nation are to remain at the cutting edge in the development and implementation of new technology. It is this new technology that creates employment opportunities for lesser-skilled workers. The immigrant nurses are essential in the staffing of our hospitals and nursing homes, particularly in the less-advantaged inner-city neighborhoods. The immigrant college and university teachers are crucial both in developing a more highly-skilled workforce and through their own research in the natural, health, behavioral and social sciences, as well as in the humanities.

The immigration of more highly-skilled workers has two beneficial effects. One is expanding the productive potential of the American economy. In particular, the po-

tential for job creation by immigrant scientists, engineers and entrepreneurs can be substantial. The second effect is the narrowing of economic inequality. Immigrants admitted to the United States on the basis of their own skills have a greater productivity in the U.S. economy (as measured by their earnings or occupational attainment) than those admitted on the basis of other criteria. The immigration of more highly-skilled workers tends to reduce relative differentials in wages and employment across skill groups, thereby promoting the policy objective of narrowing the inequality of income, reducing poverty and reducing welfare dependency. The immigration of low-skilled workers has the opposite effects, income inequality, poverty and welfare dependency all tend to increase.

A Different Immigration Environment

Current immigration policy places an inordinate emphasis on rationing non-refugee visas on the basis of kinship and diversity. There are, however, two important ways in which the early decades of the 21st century will differ from the past that compels a rethinking of this policy. It is reasonable to expect increasing international competition from the newly industrialized countries of the Third World and from the politically and economically freer countries of Eastern Europe and the former Soviet Union. The maintenance of America's position as a world leader in technology and international competitiveness requires a rethinking of all policies, including immigration.

There is another way in which the past differs from the future. Immigration to the United States used to be a gut-wrenching experience. It meant the virtual severance of all ties with family members who remained behind. This has not been the case for several decades, and will be even less relevant in the future. The real costs of transportation and communication have plummeted. It is now relatively inexpensive in both time and money to fly to any place in Europe, Asia or Latin America. Thanks to modern technology, international telephone communication is quick, clear and cheap for voice communication and for facsimile transmission of printed matter, letters, photos, etc., and electronic mail is rapidly becoming as common as telephones were in the 1960's. Although postal services, both public and private, in every country are charged with being slow and inefficient, this is largely because our rising expectations outdistance their performance. Furthermore, the United States and most of the countries from which the U.S. receives immigrants have very few restrictions on nationals from one country visiting another. With the end of the Cold War, the relaxation of political tensions particularly in Eastern Europe and the former Soviet Union has expanded opportunities for international visits.

We have become a small world in which family ties can be maintained with relative ease, even when family members live on opposite sides of national boundaries. In a real sense, Chicago is now no further from Mexico City, Berlin, Taipei or Casablanca than it is from Indianapolis.

This calls into question the need, and the wisdom, of some of the kinship and diversity categories in the preference system. In 1996, nearly 21,800 brothers and sisters of U.S. citizens immigrated, about the same as the number of first and second occupational preference principals and investors. In addition, these brothers and sisters were accompanied by nearly 15,482 spouses and nearly 28,000 children. The nearly 65,000 immigrants who entered under the preference for siblings of U.S. citizens can be compared with only 51,600 immigrants who were occupational preference principals. The 58,245 "diversity immigrants" admitted in 1996 did not bring high skills with them. What they did bring was immigrants without family ties in the United States, but who would serve as sponsors for new claims for kinship-based immigration.

Rationing Visas by Skills

The relevant policy question is the following: How can we develop a mechanism for rationing immigration visas so as to accommodate both the humanitarian and the economic objectives? For this discussion I will assume that two humanitarian features of current immigration law will remain in place. One is that adult citizens of the United States will be able to bring to this country their bona fide spouses and minor children without numerical limit. The other is that we will continue to have a generous refugee policy, although its particular features may differ from what exists under current law.

For other immigration visas, the policy objective should be to place the emphasis on the applicant's skill, with perhaps some weight for other kinship relationships. Skills are, however, multidimensional. They include formal schooling, technical training, occupational skills, on-the-job-training, being in a prime age group, and knowledge of written as well as spoken English. Each of these skill characteristics has been shown to be an important determinant of economic adjustment, occupa-

tional attainment and earnings in the United States. Even bona fide pre-arranged employment may be viewed as a characteristic enhancing one's likely productivity in the United States, although this may subject to more abuse.

To combine the multidimensional aspects of skills into a criterion for rationing immigration visas necessitates the adoption of a point system. This requires a list of readily measured characteristics that are expected to enhance the productivity of immigrants, along the lines suggested in the previous paragraph. For each characteristic, points would be assigned to reflect the applicant's traits, within the predetermined ceiling for that characteristic. For example, each level of schooling completed may be worth a few points, with advanced degrees worth many points. Apprenticeship training, vocational training, and relevant on-the-job training would also earn points for the applicant. Points could be earned for fluency in written and spoken English. Points might also be awarded if the visa applicant would be accompanied by a spouse with a high level of skill and for pre-arranged employment.

The point system can recognize that relatives already in the United States may provide assistance to a new immigrant. A small number of points could be awarded, for example, to applicants with close relatives in the United States who will guarantee their financial support for a period of, say, five years, by the posting of a bond. In this manner, applicants who fall short of the general productivity criterion by a few points but whose presence is of considerable value to their relatives in this country would be better able to immigrate legally. Such a provision, however, should be retained only so long as the guarantee of support by sponsoring relatives is legally enforceable by a bond or other mechanism.

It is essential to preserve the non-racist character of the plan. Points should not be awarded on the basis of the applicant's race, religion, ethnicity, or country of origin. Indeed, under this plan the country limit on visas should be removed. The current country ceiling discriminates against individual applicants from countries with large populations and from countries in which a larger proportion of the population migrates to the United States. It violates the principle that it is who you are that matters, not where you are from.

A threshold number of points would be determined for each year. Immigrants receiving more than this number would receive visas for themselves and for their spouses and minor children. The annual flow of non-refugee legal immigrants could be regulated by altering the threshold. This would permit, as the current system does not, an explicit tailoring of immigration to the business cycle and other economic criteria. Whereas Congress should set the upper and lower limits to immigration from the point system, annual immigration within these limits should be determined administratively.

Immigration Policy and the Family

Some may argue that an immigration policy based on the applicant's contribution to the American economy is "anti-family." This is not the situation. Foreigners with more kinsmen in the United States would still be more likely to apply for an immigrant visa; coming to the United States is more attractive to them than to others in their home country. The immediate relatives of adult U.S. citizens (the spouse, minor children, and under some circumstances aged parents) would still be eligible for admission without numerical restrictions. For other applicants, kinsmen in the United States could still assist their immigration by accepting the financial responsibility of serving as sponsors, financing the applicants skill acquisition (e.g., schooling, technical training, English fluency), and arranging employment. The willingness of U.S. citizens and resident aliens to engage in these activities is a better test of their interest in the immigration of their relatives than exists in current policy.

Nepotism and the Origins of Immigrants

A unique feature of current immigration law is that it differentiates among applicants for nonrefugee visas primarily on the basis of to whom they are related. Nowhere else in U.S. economic or social policy does official nepotism take center stage over evaluating an individual on the basis of his or her own characteristics and behavior. It is a policy that is fundamentally contrary to the American spirit, as well as to its self-interest.

Basing immigration policy on the productivity characteristics of the applicant does not, as some might believe, tend to favor European immigrants. The U.S. experience with the occupational preferences, as well as the experiences of Australia and Canada with their highly successful skill-based point systems, are instructive. In each of these instances, the shift to issuing visas on the basis of skill has tended to favor Third World applicants rather than Europeans or Canadians. Furthermore, the skill-based system opened immigration channels for applicants from ethnic groups

and countries of origin which, for one reason or another, had not been present in previous immigration streams.

A skilled-based immigration policy fairly administered would generate immigrants from a wider range of countries than our current kinship-based system. This means that there would be no further benefit from the "diversity visas" which could then be removed from immigration law.

Occupation-Specific or State-Specific Demand Should Not Be Included

This proposal for immigration reform in favor of a skill-based point system differs in some important respects from several aspects of the current occupational preferences and alternatives that have been suggested.

It is tempting to use immigration policies to try to fine tune the economy. Superficially it seems desirable to have potential employers petition on behalf of particular visa applicants. Although well intended, this approach is necessarily flawed. First, workers with a permanent resident alien visa cannot be compelled to stay in a particular job, occupation, state or local area. Once given an immigrant visa they are as free as citizens of the United States to live and work where they choose. Nor would we envision limiting their mobility even if it could pass a constitutional challenge.

Second, the Department of Labor is not capable of determining where labor shortages exist and where they do not exist. By the most relevant definition, the labor shortages are greatest where workers are most highly paid, and native-born and immigrant workers are better able to find these jobs than officials of the Labor Department or another government agency. Forecasts of occupation-specific and local area specific labor "demands" or labor "shortages" have been notoriously poor. These forecasters make meteorologists look good!

Furthermore, immigration policies that target particular occupations or localities are based on the false assumption of labor rigidity in the American economy, that is, that labor resources will not flow from where they are less valued to where they are more highly valued. They are based on the myth of bottlenecks: "If only there were a few more workers in sector X everything would be fine." Fortunately, the United States has one of the most fluid and flexible labor forces in the world, relying on worker and employer initiative without the need for "guidance", no matter how well intended, by the government.

Finally, immigration policies that focus on particular occupations or areas of the country invite intense political pressure on the Department of Labor or other relevant agencies. The employers and workers in each narrowly defined occupation or area have strong incentives (in opposite directions) to exert political influence over the labor certification process. This has, in fact, been the sorry history of the labor certification programs. Occupations are added to or removed from the "favored" list based on political pressure. This is the inevitable outcome of such an immigration policy. If it is high levels of skills, broadly defined, that are relevant for obtaining a visa, no one occupation-specific employer or worker group is so sharply affected. Best of all, there is no agency for them to lobby for special treatment.

Conclusions

There may be many who could immigrate under the current kinship criteria but not under productivity criteria. The immigration of these persons is at the expense of the U.S. population, which accepts less productive workers. The largest adverse impact is borne by low-skilled workers and disadvantaged minorities who face greater competition in the labor market and in the allocation of income-contingent transfers (welfare benefits). A system based on productivity would reverse this pattern. Furthermore, by increasing the overall skill level and hence the productivity of immigrants, there would be greater public support for increasing annual immigration.

A productivity-based point system is not a "pie in the sky" idea. The United States experience with the occupational preferences and the Australian and Canadian experiences with their own productivity-based point systems are relevant guides to the future. Increasing the emphasis on the applicant's likely contribution to the United States economy raises the skill level of immigrants and expands the range of countries from which immigrants are drawn.

Curricular Vitae

Barry R. Chiswick received his Ph.D. in Economics from Columbia University (1967) and is currently Research Professor and Head, Department of Economics, University of Illinois at Chicago and John M. Olin Visiting Professor, Center for the Study of the Economy and the State, Graduate School of Business, University of Chicago. Dr. Chiswick is an internationally recognized expert on immigration. His published research includes several books and edited volumes, among which are *The Dilemma of American Immigration* (1983), *The Gateway: U.S. Immigration Issues*

and Policies (1983), *The Employment of Immigrants in the United States* (1982), *Illegal Aliens: Their Employment and Employers* (1988), *Immigration, Language and Ethnicity: Canada and the United States* (1992) and *The Economics of Immigrant Skill and Adjustment* (1997). He has also published numerous scholarly journals, articles on immigration in American and foreign journals, as well as op.ed articles in several newspapers. His research includes extensive studies of the United States, as well as the experiences of several other countries, including Australia, Britain, Canada, Israel, and Japan. Dr. Chiswick has served as a consultant on a variety of immigration and labor market issues to numerous Federal agencies and not-for-profit organizations.

Disclosure Statement

I have not held a Federal grant, contract or subcontract from any Federal agency in the past two years. I am currently working as a consultant to Westat, Inc on the Employment Verification Pilot Study funded by the Immigration and Naturalization Service to test alternative methods for verification of the legal status of newly hired employees.

Mr. SMITH. Thank you Professor Chiswick. Dr. Edwards.

**STATEMENT OF JAMES R. EDWARDS, JR., PH.D., COAUTHOR,
THE CONGRESSIONAL POLITICS OF IMMIGRATION REFORM**

Mr. EDWARDS. Thank you, Mr. Chairman and distinguished members of this subcommittee, for inviting me here today to testify before you. I will simply summarize my prepared statement. I am sure you will enter the full statement in the record.

If we project current immigration trends over the next few decades, we see a mismatch. It is a mismatch between the preponderance of the current immigrant flow and the direction of the American economy. This mismatch exists today and only worsens if our immigration admissions policy remains unchanged.

The fastest growing sectors, as we have all heard this morning, of the American economy require a skilled and educated workforce; usually, a Bachelor's degree or higher. Meanwhile, the present immigrant preference system gives scant attention to the levels of education, skills, literacy, or English language proficiency of prospective immigrants.

By changing the immigration system so that it emphasizes skills and education, America's economy would benefit in a number of ways. First, a more highly skilled immigrant flow would help to equalize the skills and education levels of the immigrant population and the native population. This would help minimize the effect of immigration on the wage structure of native workers.

Second, emphasizing skills in the immigrant selection process would increase the prospects of immigrant success. Skilled and educated immigrants are unlikely to become public charges. As the Jordan Commission recognized, the contributions of skilled immigrants go farther to the benefit of the entire U.S. economy. These skilled immigrants are equipped to create wealth and create jobs.

That is, skilled immigrants helps spur economic growth. The evidence shows this to be true. The New Immigrant Survey found that immigrants in the more skilled immigration categories are best equipped for economic success here.

The National Research Council in its 1997 report calculated the average net fiscal impact of immigrants themselves, as you mentioned in your opening statement. The average came from the amount of taxes an immigrant pays, minus all of the costs they im-

pose. Averages were calculated according to the level of education an immigrant has achieved.

Immigrants with less than a high school education impose an average net cost of \$89,000. Those immigrants with a high school diploma cost the country \$31,000 on the average. Here is the really remarkable finding. The calculation of immigrants with more than a high school education, there they found a net gain to the Nation of \$105,000.

The third benefit from greater emphasis on skills and education would be to help diminish some of the most troubling social problems: problems such as illiteracy, poverty, lack of English proficiency, Welfare usage, unemployment, and lack of health coverage. At present, due to our immigrant flow and the policies that promote that flow, immigrants disproportionately fall into these categories.

Specifically, I agree with much of the point system outlined by Professor Chiswick. We should change our immigration system so that it places greater emphasis on skills and education. A new system could award individuals points for their educational attainment. In my view, a high school diploma should virtually be a requirement.

Points could be gained by an immigrant for various things such as their English proficiency. They could gain points for literacy, for significant work experience in a skills-based occupation. Families ties certainly could gain someone some points, depending on the closeness of the relation. This should be to a much lesser extent than would be the case today.

In closing, we must end the mismatch between the current immigrant flow and the direction of America's economic growth. We must end the mismatch in order that neither immigrants nor the native-born are left behind in America's skills-based economy of the 21st Century.

Thank you.

[The prepared statement of Mr. Edwards follows:]

PREPARED STATEMENT OF JAMES R. EDWARDS, JR., PH.D., COAUTHOR, THE
CONGRESSIONAL POLITICS OF IMMIGRATION REFORM

SUMMARY

If we project current immigration trends over the next three decades, we see a mismatch between the preponderance of the current immigrant flow and the direction of the American economy. This mismatch exists today and only worsens if our immigration admissions criteria remain unchanged.

The fastest growing sections of the American economy require a skilled and educated workforce—usually a bachelor's degree or higher. Meanwhile, the present immigration preference system gives scant attention to the levels of education, skills, literacy, or English language proficiency of prospective immigrants.

By changing the immigration system so that it emphasizes skills and education, America's economy would benefit in a number of ways. First, a more highly skilled immigrant flow would help equalize the skills and education levels of the immigrant population and the native population. This change would help minimize the effect of immigration on the wage structure of native workers.

Second, emphasizing skills in the immigrant selection process would increase the prospects of immigrant success. Skilled and educated immigrants are unlikely to become public charges. And as the Jordan Commission recognized, skilled immigrants' contributions go farther to the benefit of the U.S. economy. These skilled immigrants are equipped to create wealth and create jobs—that is, skilled immigrants help spur economic growth.

The evidence shows this to be true. The New Immigrant Survey found that immigrants in the more skilled immigration categories are best equipped for economic success here.

Third, greater emphasis on skills and education in immigrant selection would help diminish some of our most troubling social problems, such as illiteracy, poverty, lack of English proficiency, welfare usage, unemployment, and lack of health coverage. At present, immigrants are disproportionately likely to fall into these categories.

Specifically, we should change our immigration system so that it places greater emphasis on skills and education. A new system should give individuals points for educational attainment, with a high school diploma a virtual requirement. Points should be gained for English proficiency, literacy, and significant work experience in a skills-based occupation. Family ties should gain one point, depending on the closeness of the relation, but to a much lesser extent than would be the case today.

In closing, we must end the mismatch between the current immigrant flow and the direction of America's economic growth. We must end the mismatch in order that neither immigrants nor the native-born are left behind in America's skills-based economy of the 21st Century.

STATEMENT

Mr. Chairman, members of the subcommittee, thank you for the opportunity to testify today regarding the benefits that would accrue from changing our immigration policy so that it emphasizes the admission of high-skilled immigrants.

I am James R. Edwards, Jr., co-author of *The Congressional Politics of Immigration Reform* (Allyn & Bacon, 1999). Additionally, during the 104th Congress I handled the Judiciary Committee, and the Immigration Subcommittee, staff work for Rep. Ed Bryant of Tennessee, then a member of the committee and subcommittee.

The idea of giving preference to prospective immigrants with job skills and educational attainment is not new. The 1952 Immigration and Nationality Act, which remains the fundamental framework of U.S. immigration law, established a preference system. That preference system placed the highest priority on immigrants with education, training, and skills. It made skills, education, and ability the highest priority because those qualities were regarded as best advancing the national interest of the United States.¹

The preference system no longer gives priority admission to skilled immigrants. Instead, we give much higher priority to those with family members here, some quite distant. Two-thirds of legal immigrant admissions today go to family preferences and immediate relatives of U.S. citizens—without any consideration of the prospective immigrant's skills or education.

This bias in our present immigration system leads to serious consequences for the nation. According to the Census Bureau's Current Population Survey, the foreign-born over age 25 are more than twice as likely as the native-born to lack a high school education. The noncitizen foreign-born are more likely to be unemployed.² Foreign-born noncitizens are more than twice as likely to live in poverty than the native-born.³ The foreign-born are more likely to receive public assistance than the native-born (4.9 percent vs. 3.3 percent, respectively). And more than one third of the foreign-born lack health insurance, while just 14.2 percent of the native-born lack coverage.

This is not an indictment of the foreign-born. It is an indictment of our current immigration policy.

If we project current immigration trends 20 to 30 years, we can expect to see a profound impact on our nation economically. First, we can expect today's minimal benefit from immigration that the National Academy of Sciences identified to turn into a net cost in 20 to 30 years. As you know, the National Academy of Sciences concluded that today immigration raises native-born income by \$1 billion to \$10 billion a year in an \$8 trillion economy.⁴

However, if immigrant admission continues to favor those lacking skills and education, the potential for immigrant wealth creation in an increasingly skills-based

¹ Vernon M. Briggs, Jr., *Mass Immigration and the National Interest* (M.E. Sharpe, 1992), cited in David Heer, *Immigration in America's Future* (Westview Press, 1996).

² The Census Bureau found 8.4 percent of the noncitizen foreign-born unemployed, compared with 5.4 percent of the native-born; however, just 4.3 percent of naturalized citizens were unemployed. (Current Population Survey, March 1997)

³ However, the CPS found just 10.4 percent of naturalized citizens below the poverty rate, compared with 12.9 percent of the native-born and 26.8 percent of foreign-born noncitizens.

⁴ *The New Americans: Economic, Demographic, and Fiscal Effects of Immigration* (National Academy Press, 1997).

economy will be low. Furthermore, the U.S. Department of Labor has projected that overall employment will grow 14 percent from 1996–2006. The most rapidly growing occupations require an associate's degree or higher.⁵ In addition, manufacturers already report having trouble finding skilled workers.⁶ Thus, newcomers filling the available low-skills jobs will continue to fall behind economically because they lack the necessary skills and education to compete for the best new jobs.

Second, the entry of nearly a million predominately unskilled migrants each year can be expected to provide leverage for rebuilding the welfare state. As the proportion of the population that's foreign-born and in poverty rises, we can expect more pressure to rebuild the welfare state, as has already been the case to an extent. Presuming this occurs, then in 20 to 30 years immigrant participation in welfare programs may well shift the balance in the net economic impact of immigration from modest benefit to significant cost.

Third, the most economically vulnerable Americans, including previous immigrants, will suffer both lower wages and head-to-head competition for low-skill jobs. The low-skill job market is projected to grow at a much slower rate than skills-based jobs. And immigration accounted for 44 percent of the drop in wages from 1980 to 1995 for high school dropouts' earnings.⁷ Will there be enough low-skill jobs to accommodate both native-born and immigrant low-skilled workers? Perhaps, but they are not likely to pay satisfactory wages or provide much in fringe benefits.

Finally, the localities where immigrants settle, such as in Southern California and Florida, can expect to bear even heavier burdens for public services. We know that immigration's economic benefits accrue mostly at the federal level, while the costs are primarily incurred locally. As predominately unskilled immigrants continue to enter en masse, as the welfare state is rebuilt, and as state and local resources are further strained, those areas will press Congress ever harder to redistribute federal tax dollars to cover the disparate impact of immigration.

Thus, the economic impact of current immigration trends over the next few decades portends a mixed bag at best and a significant drag on the economy at worst.

As America's economy becomes more high-tech and skills-based, it bears asking whether we should keep on admitting immigrants predominately lacking skills and education. Beyond reuniting an immigrant with spouse and minor children, family reunification becomes secondary. I submit that the present immigration flow is a mismatch with the nation's present and future needs. Witness the popularity of skilled nonimmigrant visa programs, such as H-1B and the prospective new H-1C foreign nurses category. Perhaps we should consider these skilled workers for permanent immigration instead of just temporary admission as nonimmigrants.

A number of benefits would come from changing our immigration policy so that it gives the highest priority to immigrants with skills and education. First, admitting more highly skilled immigrants would help equalize the skills and education levels of the immigrant population and the native population. Presently, the immigrant skills level is disproportionately below that of natives. By admitting a more highly skilled immigrant flow, thus making the immigrant skills level approximate the native skills level, the effect of immigration on the native labor wage structure would be minimized.⁸ In effect, this change would help reduce the adverse impact on the wages of both skilled and unskilled wage earners already in the U.S. labor force.

Second, a greater emphasis on skilled immigrant admissions would increase the prospects of immigrant success here. The new immigrant flow could be expected to demonstrate better economic and cultural assimilation. Immigrants with education and skills are more likely to create jobs and create wealth. They are more likely to be a net gain economically. The Jordan Commission recognized these facts, noting that "[t]he contributions [of skilled] workers go beyond the particular businesses they assist: their work may help create jobs for U.S. workers and may enable the export sector of our economy to grow. Immigration policy must focus on the admission of individuals with the high skills that will benefit U.S. society."⁹

⁵ Bureau of Labor Statistics 1996–2006 Employment Projections; 1998–99 Occupational Outlook Handbook.

⁶ A 1997 National Association of Manufacturers survey of 4,500 manufacturers of all sizes found nine of 10 firms experiencing a problem finding qualified workers in at least one job category. The survey showed the skilled worker shortage unimproved since a similar 1991 survey. Reportedly lacking in the workforce are those with basic math skills, basic writing skills, and reading comprehension skills.

⁷ *The New Americans*, op. cit.

⁸ "The Impact of Immigration on the Native Labor Market," Professor George J. Borjas, House Immigration and Claims Subcommittee hearing, April 21, 1997.

⁹ *Legal Immigration: Setting Priorities* (U.S. Commission on Immigration Reform, 1995).

Furthermore, we know that visa admission categories correlate with skills characteristics of immigrants.¹⁰ Employment-based immigrants, their spouses also admitted under the employment category, "diversity" immigrants, and finally spouses of U.S. citizens have been found to have achieved more education, be more English language proficient, and have more prior experience in the United States than immigrants admitted under other categories.

Third, emphasizing the admission of highly skilled immigrants would help diminish troubling and troublesome social problems. These include such problems as dropping out of school before attaining a high school diploma and lacking health coverage. Highly skilled immigrants are the least likely to participate in welfare programs and are unlikely to become a public charge. These facts could be expected to help alleviate public resentment toward immigrants. Further, they may lead to a more favorable public view toward immigrants.

Allow me to outline a new system for immigrant admission that is designed to increase the emphasis on admitting individuals possessing skills and education. It bases immigration upon a new set of criteria, which could be allocated under a point system.

Having a spouse or minor children here or being an immigrant's minor child should be a key criterion considered in qualifying an individual for immigration—presuming those here were legally admitted. Higher priority should be reflected in the allocation of points for the immediate nuclear family—husband, wife, minor children—of U.S. citizens.

Having distant family here who were legally admitted should be considered, but count for much less. And having illegal alien family here should be a disqualifying factor. Similarly, the admission of extended family members of now-legalized individuals—the beneficiaries of a mass amnesty such as the 1986 Immigration Reform and Control Act—might be disallowed on the theory that the amnesty was intended to be a one-time benefit to the one who broke the law to come here, not to all his relatives still residing in the country of origin.

Other, more preeminent admission criteria should include holding an advanced degree. A high school diploma should virtually be required. English proficiency, literacy, and demonstrated, successful work experience in a field that requires special skills or education each should gain points for a prospective immigrant.

Under this system, individuals, regardless of country of origin, would be assessed head-to-head. This system is fair and equitable to individuals. It would admit the individuals who are likely to become productive, contributing new Americans in the economy of the 21st Century.

In closing, while the United States has historically benefitted from immigration, we owe it to ourselves as a nation to take an honest look at where the needs of the nation and current immigration trends diverge. No one blames would-be immigrants for aspiring to come to America. But by the same token, we have to reassess our immigration policy and adjust it in a way that best serves the shared interest of all American citizens, an interest that includes the nation's economy.

Immigration is not an unmitigated benefit or an unmitigated cost to the nation. Immigration involves tradeoffs—both costs and benefits come from the immigrant flow. The cost-benefit ratio is determined by the policies that determine the immigrant flow. It seems to me the most prudent immigrant admissions policy is that which favors those individuals with skills and education. These are the qualities best suited to ensure not only successful assimilation, but also the most benefit to the nation.

Mr. SMITH. Thank you Dr. Edwards. Mr. Judy.

**STATEMENT OF RICHARD W. JUDY, DIRECTOR, CENTER FOR
WORKFORCE DEVELOPMENT, HUDSON INSTITUTE**

Mr. JUDY. Thank you very much.

Mr. SMITH. We know you ran from the airport to the hearing.

Mr. JUDY. That is why I was slightly delayed.

Mr. SMITH. I appreciate that. You turned out to be exactly on time.

Mr. JUDY. Good morning Mr. Chairman and members of the subcommittee. As you know, my name is Richard Judy. I am Director

¹⁰"The New Immigrant Survey (NIS) Pilot Study: Preliminary Results," Guillermina Jasso, Douglas S. Massey, Mark R. Rosenzweig, James P. Smith (August 1997).

of the Center For Workforce Development at Hudson Institute in Indianapolis. I am also an Economist specializing in workforce issues and labor economics, and the coauthor of a book called *Workforce 2020. It look at workers in the 21st Century*.

I would like to, with your permission, make my remarks brief and to the point, without much elaboration or explanation because of time limits. If present trends continue as they are today in this Nation, we will face in the early 21st Century two great workforce difficulties.

The first one, difficulty one, I term worker dearth. By that I mean two things: a shortfall in the sheer number of workers, particularly in certain highly dynamic sectors that will be critical to our continued economic growth and global competitiveness.

This is the qualitative dimension, of course, of worker dearth. The second aspect of worker dearth is a skills gap between, on the one hand, the work place competencies required to fill the most highly productive and rapidly growing jobs that our economy has to offer.

On the other hand, the competencies possessed by most of our workforce. This is the qualitative aspect of worker dearth. The second difficulty we will face is that of a glut of unskilled and poorly productive and therefore poorly paid workers.

Good luck and wise macro-economic management may, just may, provide enough jobs to employ most of these workers most of the time. Due to their level of productivity, those jobs will not pay enough to provide a decent standard of living to the workers who fill them.

Now these two great workforce difficulties will lead on to a host of unwelcome consequences. Four of the most important of these will be, number one, a slow down in economic growth, especially in the most innovative and dynamic sectors of our economy that are critical to increasing labor productivity, maintaining our companies' competitiveness globally, and improving the prosperity of all Americans.

The second sequence is a painful, what I call, fiscal disappointment which is a euphemistic way of saying that optimistic projections of tax revenues and therefore our budgetary surpluses will fail to materialize because economic growth will be lower than now anticipated by both the Administration and the Congress.

The third consequence, unpleasant, will be intensified pressures on Social Security, Medicare, and other entitlement programs. The fourth of these unpleasant consequences will be greater inequality in our economy and society. That will stem from growing disparities between the compensation paid to our scarce and more highly skilled workers, on the one hand, and to our abundant but lower skilled workers on the other.

Here is my third, and for today's purposes, my most important point. Rather than contributing to the solution or the mediation of these two great 21st Century workforce difficulties that I have just described, the continuation of our present immigration policies will greatly exacerbate them both. Why would that be so?

First, the system of preferences now embedded in present policies, guarantees, and annual flow of immigrants into the country that is heavily skewed toward persons with little formal education

and few skills that will be appreciably valued in our 21st Century work place.

By a saving grace, to the extent that there is one of course, is that very many of these people have a great will to work. Employers seeking low wage help warmly welcome them. The annual arrival of large numbers of poorly educated and low skilled workers inevitably expands the Nation's supply of such workers; a supply that I have argued will achieve the proportions of glut in the years ahead.

Labor markets, just as all other markets, are subject to the fundamental laws of supply and demand. Unless it is off-set by increased demand, increased supply results in lower prices. In this case, it means earnings lower than otherwise would be the case for workers already here and with similarly undeveloped workforce skills.

Second is our present policy positively discourage all but a tiny trickle of the immigration of well-educated and highly skilled workers. They do this at a time when a virtual war for talent is developing rapidly throughout the world.

I have not the slightest doubt that those companies and countries that succeed in attracting and harnessing the world's best and brightest will prevail in tomorrow's incredibly fast paced and competitive marketplaces.

In summary conclusion, by impeding the recruitment and immigration of the world's best and brightest, the continuation of our present immigration policies will undermine America's entire economy in the early 21st Century and most regrettably will threaten this most dynamic and globally competitive companies and industries. Yes, there are immigration policies, particularly those of the 19th Century actively facilitated the recruitment and settlement of just the kinds of new comers that our economy needed at that time to grow, and to build our Nation, and to create prosperity for our people.

Tomorrow, unless you and your colleagues change them, our immigration policies will fetter our economy and constrain its growth. Doing so, they will limit America's ability to meet its commitments, to maintain its position of global leadership, and to provide prosperity to its entire people.

I urge you to reconnect our immigration policies to America's workforce needs. Do this by altering our immigration policies in ways that will tilt the mix of our annual immigrant flow back in the direction of persons with the skills and qualifications that will be well-valued in the Nation's work places.

Do it in ways that strongly encourage rather than discourage the recruitment and immigration of the world's best, and brightest, and best qualified to these shores. I endorse without any additional comment Professor Chiswick's recommendations concerning the adoption of a point system similar to that of Canada and Australia.

Mr. Chairman, I know that our time is very limited. Therefore, I have tried to keep these remarks very brief and, I hope, to the point. However, during the discussion in response to your question I will be happy to expand and elaborate on them as you may desire.

Thank you very much, sir.

[The prepared statement of Mr. Judy follows:]

PREPARED STATEMENT OF RICHARD W. JUDY, DIRECTOR, CENTER FOR WORKFORCE DEVELOPMENT, HUDSON INSTITUTE

Good morning Mr. Chairman and members of the Committee.

My name is Richard W. Judy. I am Director of the Center for Workforce Development at the Hudson Institute in Indianapolis, Indiana. I am an economist specializing in workforce issues and labor economics. I am also the senior co-author of the book, *Workforce 2020, Work and Workers in the 21st Century*, published recently by the Hudson Institute.

Thank you for the opportunity to meet with you this morning.

I wish to make several simple but fundamental points that I shall state briefly and without much elaboration or explanation.

1. If *present trends continue*, this nation will face two great workforce difficulties in the early 21st century:
 - 1.1. Difficulty #1: We will experience "worker dearth." By that I mean two things:
 - 1.1.1. A shortfall in the sheer number of workers, particularly in certain highly dynamic sectors that will be critical to our continued economic growth and global competitiveness. This is the quantitative dimension of worker dearth.¹
 - 1.1.2. A "skills gap" between—on the one hand—the workplace competencies required to fill the most highly productive and rapidly growing jobs that our economy will offer, and—on the other hand—the competencies possessed by most of our workforce. This is the qualitative aspect of worker dearth.
 - 1.2. Difficulty #2: We will face a "glut" of unskilled, poorly productive and, therefore, poorly paid workers. Good luck and wise macroeconomic management *may* provide enough jobs to employ most of these workers most of the time. Due to their low labor productivity, however, those jobs won't pay well enough to provide a decent standard of living to the workers that fill them.
2. These two great workforce difficulties will lead on to a host of unwelcome consequences. Four of the most important will be:
 - 2.1. A slowdown in economic growth, especially in the most innovative and dynamic sectors of our economy that are critical to increasing labor productivity, maintaining our companies' global competitiveness, and improving the prosperity of all Americans.
 - 2.2. Painful "fiscal disappointment" which is a euphemistic way of saying that optimistic projections of tax revenues (and, therefore, of budgetary surpluses) will fail to materialize because future economic growth will be lower than now anticipated by both the Administration and the Congress.
 - 2.3. Intensified pressures on Social Security, Medicare, and other entitlement programs.
 - 2.4. Greater inequality in our economy and society. That will stem from growing disparities between the compensation paid to our scarce and more highly skilled workers, on the one hand, and our abundant but lower skilled workers on the other hand.
3. Here is my third and, for today's purposes, my most important point. Rather than contributing to the solution or amelioration of the two 21st century workforce difficulties that I have described, the continuation of our present immigration policies will greatly exacerbate them both. Why will that be so?
 - 3.1. First, the system of preferences now imbedded in present policies guarantees an annual flow of immigrants into this country that is heavily skewed toward persons with little formal education and few skills that will be appreciably valued in our 21st century workplaces. The saving grace, to the extent that there is one, is that very many of these persons arrive highly

¹ Economists would be less likely to cavil at this proposition if, instead of anticipating a "short-fall," I had said that I expected the supply of such workers to be "highly inelastic" with respect to their compensation. Such professional jargon, although more precise in its meaning, would understandably befuddle many other people.

motivated to work and employers seeking low-wage help warmly welcome them.

The annual arrival of large numbers of poorly educated and low-skilled workers inevitably expands the nation's supply of such workers, a supply that I have argued will achieve the proportions of "glut" in the years immediately ahead. Labor markets, just as all other markets, are subject to the fundamental economic law of supply and demand: Unless it is offset by increased demand, increased supply results in lower price. In this case, it means earnings lower than they otherwise would be for workers already here with similarly poor workplace skills.

- 3.2. Second, our present policies positively discourage all but a tiny trickle of the immigration of well-educated and highly skilled workers. They do this at a time when a virtual "war for talent" is developing rapidly throughout the world. I have not the slightest doubt that those companies and countries that succeed in attracting and harnessing the world's best and brightest will prevail in tomorrow's incredibly fast-paced and competitive marketplaces.

4. In summary:

By impeding the recruitment and immigration of the world's best and brightest, the continuation of our present immigration policies will undermine America's entire economy in the early 21st century and, most regrettably, will threaten its most dynamic and globally competitive companies and industries.

Yesterday's immigration policies, particular in the 19th century, actively facilitated the recruitment and settlement of just the kinds of newcomers that our economy needed to grow rapidly, to build our nation, and to create prosperity for our people.

Tomorrow, unless you and your colleagues change them, our immigration policies will fetter our economy and constrain its growth. Doing so, they will limit America's ability to meet its commitments, to maintain its position of global leadership, and to provide prosperity to its entire people.

I urge you to re-connect our immigration policies to America's workforce needs. Do this by altering our immigration policies in ways that will tilt the mix of our annual immigrant flow back in the direction of persons with the skills and qualifications that will be well valued in the nation's workplaces. Do it in ways that strongly encourage rather than discourage the recruitment and immigration of the world's most skilled and best-qualified workers to these shores.

Mr. Chairman, I know that our time is very limited here this morning. Therefore, I have kept these introductory remarks very brief and, I hope, to the point. However, during the discussion and in response to your questions, I shall be happy to expand upon or elaborate my remarks as you may desire. Certainly, in my extended written remarks (to be submitted later) I shall more fully explain and substantiate the arguments that I have advanced here this morning.

Thank you very much for your time, attention and the opportunity to share my thoughts with you this morning.

Mr. SMITH. Thank you Mr. Judy, and they were to the point. I appreciate it. Ms. Burdette.

STATEMENT OF REBECCA BURDETTE, QUAN, BURDETTE AND PEREZ

Ms. BURDETTE. Mr. Chairman, Ranking Minority Representative Jackson Lee, and members of this subcommittee, I appreciate this opportunity to present testimony.

Also, I am especially pleased to have two fellow Texans participating in this. I would like to comment that Ms. Jackson Lee has been a very good Representative of our hometown. I appreciate being able to assist her in her efforts.

Mr. SMITH. Ms. Burdette, speak a little bit more loudly if you would.

Ms. BURDETTE. I am an attorney and a native Texan. For close to 19 years, I have been practicing Immigration Law, primarily assisting businesses in filling their needs for skilled and—unskilled

workers. I am here to talk to you today about the benefits to our economy of an educated skilled workforce in American businesses, and the need for a usable immigration system.

As has been mentioned, the present system is a very difficult process. I can personally attest to the trials and tribulations that many U.S. employers have to go through to obtain the kind of workers they need to be competitive in the U.S. workforce. My firm represents many large employers. I am going to give you some specific examples of some of my clients.

I represent a large international engineering, construction, oil and gas, exploration, production, and information services company headquartered in Texas. The company has global operations and employs over 100,000 individuals worldwide.

The company maintains a full-time training center in the United States for its personnel and recruits extensively in the United States. However, in order to maintain global competitiveness, it must recruit, hire, and retain the best qualified people at all levels from around the world.

It must be able to quickly obtain the services of key technical and professional employees to meet project deadlines. Many U.S. workers in support positions rely on the ability of the company to obtain the services of these individuals quickly.

This company's major concern about the current immigration system is not the system itself, but the fact that the backlogs are intolerable. Something really needs to be done so they can obtain the qualified people they need in a quick enough time frame to be competitive.

I also represent a smaller computer software consulting company that is also based in Texas. They employ a total workforce of over 400 individuals around the U.S. This company constantly recruits in the United States. It cannot find enough U.S. workers to fill the positions.

They must rely on foreign workers primarily from India and Mainland China to fill their needs. The company is not an H-1B dependent company, but it has to deal with the aspects of the H-1B cap, which restricts its ability to obtain the services of foreign workers, and the lengthy delays in the processing also make it difficult to remain competitive in this environment.

The company is also hurt by the per country cap on the employment-based permanent visas that greatly extends the time required for individuals from certain countries to actually obtain permanent status. This sometimes requires the foreign workers to leave the country before they are completely processed for permanent status. This company is seriously considering opening an office in Canada and may move some of its resources to Canada because of this restrictive structure.

I also represent a large telecommunications company that has merged with a Canadian company. They have a large number of skilled workers who do not have Bachelor's degrees largely because of the state-of-the-art technology. U.S. universities do not give degrees in these areas yet. The company relies heavily on getting these foreign workers into the U.S. It is very difficult for non-degreed workers to come in as quickly as needed to meet the company's needs.

As you can see, employers are facing tough choices. The current employment-based immigration system, both for permanent and temporary visas, is a complicated morass of legislation and regulation. No employer in their right mind would submit themselves to this bureaucratic and expensive process, fraught with pitfalls for the well-meaning but unsuspecting employer, and long backlogs and delays in processing if they could find the qualified workers they need in the United States.

In fact, I would invite the members of the committee to speak to their constituent services Staffs who I am sure are intimately aware of the complaints of employers regarding the current employment-based immigration system. Congress needs to look at reforms in this area, if this Body is serious about helping employers meet the needs for workers equipped with the full spectrum of skills business needs today.

Mr. Chairman, I know that in the past you proposed mandating education requirements for family-sponsored immigration preferences as a way to help employers with their needs. However, given that over 40,000 permanent visas were unused last year in the employment-based immigration categories, I would say to you, Mr. Chairman, that the problem is not the skill level of family immigrants, many of whom have the needed skills, but that the system designed to help employers, the employment-based system, is not working. Mr. Chairman and members of this subcommittee, as you look at the issue of skills needed for the U.S. business community, I would suggest that you keep the following in mind.

America is a Nation of immigrants. Family-based and employment-based immigrants are two sides of the same coin that has served this Nation well. My great grandfather homesteaded in East Texas and was an immigrant himself. Immigrants have greatly benefitted the State of Texas, as well as the Nation, as I am sure you are aware.

I think it is critical that we do something to help U.S. businesses. I do not think taking away benefits from family-based immigrants is the proper way to go. I welcome this opportunity and I certainly will be happy to answer questions.

[The prepared statement of Ms. Burdette follows:]

PREPARED STATEMENT OF REBECCA BURDETTE, QUAN, BURDETTE AND PEREZ

Mr. Chairman, Representative Jackson-Lee, and distinguished members of the subcommittee, thank you for the opportunity to testify before you today. My name is Rebecca Burdette. I am an attorney, and a native Texan. For the past 19 years I have practiced exclusively in the area of immigration and nationality law, primarily representing businesses with their immigration cases. From my perspective as a practitioner, and as a representative of businesses that hire foreign workers from time to time, I want to talk to you today about the benefits to our economy of an educated and skilled workforce and American businesses' need for a usable immigration system. From my personal perspective as a Texan, I also want to speak briefly about the contributions immigrants sponsored by both companies and their families have made to Texas.

As I stated earlier, my practice focuses on the representation of both large and small businesses that wish to sponsor foreign nationals for visas to work in the United States. Here are some examples of the types of companies I and my firm, Quan, Burdette & Perez, represent:

- We represent a large international engineering, construction, oil and gas exploration/production and information services company headquartered in Texas. The company has global operations, and employs 57,000 individuals

worldwide. The company maintains a full-time training center in the United States for its personnel, and recruits extensively in the United States. However, in order to maintain its global competitiveness, it must recruit, hire and retain the best qualified people, at all levels, from around the world, and it must quickly obtain the services of key technical and professional employees to meet project deadlines. Many U.S. workers in support positions rely on the ability of the company to hire these individuals in a quick time frame. The company's primary complaint with our current immigration system is not the system itself, but the lengthy delays in the processing of applications and petitions for these key personnel.

- We also represent a smaller computer software consulting company, also headquartered in Texas, with a total workforce of 400. This company constantly recruits in the United States but cannot find enough U.S. workers to fill all of its positions, and must rely on foreign workers, primarily from India and China, to fill its needs. The company is not "H-1B dependent" under the recent H-1B law, but the still existing cap on H-1B nonimmigrants, and the lengthy delays in processing visas are hurting this company's ability to remain competitive. The company is also hurt by the per-country cap on employment-based permanent visas, which limits its ability to sponsor needed individuals for green cards. The company currently is considering opening an office in Canada to expand its business and position its H employees who can no longer work in the United States. If changes in the employment-based immigration system are not enacted, the company might be forced to move other business operations to Canada as well.
- Our firm represents a major telecommunications company, formed by the merger of a U.S. company with a Canadian company, which employees over 7,000 people in North America and has 120 sales and service offices throughout the country, with its main office in Texas. This company has sought out immigrants to supplement their American workforce because there are insufficient numbers of employees in the U.S. workforce with knowledge of the state of the art technology and systems. Numerous U.S. workers are required to support this foreign technical staff. Like their American counterparts, many of the immigrants hired for technical jobs do not have bachelor degrees because the areas in which they work are so new they fine-tune their state of the art skills on the job. Because of INS backlogs, this company has experienced processing delays for immigrant petitions and permanent resident status. This company could solve the problem acquiring these key technical workers to service customers and install new systems by transferring many workers and projects to Canada.
- Our firm also represents many small businesses in Texas and elsewhere that are having trouble meeting their needs for workers at all skill levels. Businesses in the hotel, restaurant and hospitality industry are having a hard time recruiting and retaining U.S. workers for some lower skilled jobs. For these employers, the current immigration system does not provide much help, because low ceilings for lesser skilled workers, and the backlogs in processing mean that sponsoring immigrant workers is not an option.

As you can see, employers are faced with tough choices. The current employment-based immigration system (both for permanent and temporary visas) is a complicated morass of legislation and regulations. No employer in their right mind would submit themselves to this bureaucratic and expensive process, fraught with pitfalls for the well-meaning, but unsuspecting employer, and long backlogs and delays in processing, if they could find the workers they need in the United States. In fact, I would invite Members of this Committee to speak with their constituent services staffs who I am sure are intimately familiar with the complaints of employers regarding the current system. The problem faced by U.S. employers in looking at fulfilling their need for qualified workers is the fact that the current employment-based immigration system, which is supposed to exist to help employers supplement gaps in the availability of U.S. workers, in fact, does not help them to do so. Congress needs to look at reforms in this area if this body is serious about helping employers meet their needs for people equipped with the full spectrum of skills business today demands.

Mr. Chairman, I know that in the past you have proposed mandating education requirements for the family-sponsored immigration preferences as a way to help employers with their need for a more skilled labor force. However, given that over 40,000 visas went unused last year in the employment-based immigration categories, I would say to you, Mr. Chairman, that the problem is not with the skill

level of family immigrants, many of whom have the needed skills, but that the system designed to help employers, the employment-based system, is in need of repair.

The other side of the coin, of course is the family-sponsored immigrant. In addition to our business practice, our firm works on family immigration matters. As you are well aware, family sponsored immigrants, like immigrants sponsored by business, contribute to our U.S. workforce and our economy, although they are admitted on the basis of their kinship to a U.S. citizen or permanent resident—family reunification being the cornerstone of U.S. immigration policy. They create businesses, hire U.S. workers, pay taxes, buy goods and services, educate themselves and their children, and contribute to our national well-being. In fact, I can honestly say as a Texan whose great-grandfather was a homesteader (an "immigrant" to Texas, you might say), that Texas was built by immigrants, and continues to flourish today because of the contributions of immigrants. The family-sponsored immigration system has, as its primary goal, the unification of families, which is as it should be. This goal is in keeping with our American tradition of family values. Many immigrants to this country came with little or no education or skills, and they, their children, and their grandchildren, have gone on to contribute great things. Looking to family immigration mainly as a way to supplement our workforce does a disservice to our great tradition of family reunification, and could cause much potential harm, by keeping out individuals who have the potential to greatly contribute to our country.

Mr. Chairman, Members of this Subcommittee, as you look at the issue of the skill needs of the U.S. business community, I would suggest that you keep the following in mind: America is a nation of immigrants. Family-based and employment-based immigrants are two sides of the same coin that has served this nation well. Let us remedy the current problems in our employment-based system which prevents businesses full utilization of it, and in so doing better serve the American economy. And at the same time, we must continue to support both immigration streams to ensure that America remains the strong and vibrant country that it is today.

Thank you. I look forward to your questions.

Mr. SMITH. Let me ask the witness to cooperate with me. I am going to try to get to a lot of the questions. I am going to try to ask brief questions. If you all can give me brief responses, maybe I can get questions to all of you all.

Professor Chiswick, let me begin with you. You mentioned in your statement that the United States, and all three of you have said this same thing one way or the other. The United States should move to a Skills-Based Point System for rationing immigration visas, and sharply reduce the kinship visas, other than those for immediately relatives of U.S. citizens, and eliminate the diversity visas, and current Immigration Law.

Intentionally or not, and I wanted the Ranking Member to hear this, that sounds a lot like the Barbara Jordan Commission and her recommendations as well. If you will recall, that was a bipartisan Commission and there was an overwhelming vote to support that kind of immigration policy.

I assume that if we had that of a policy you feel that there would be a major positive impact on the economy. Is that the case?

Ms. CHISWICK. Absolutely. A switch to that kind of policy would substantially increase the skill level of the immigrants. That would have a beneficial effect on economic growth. It would have a beneficial effect on reducing the poverty by raising the wages of low skilled workers and it would also, as a side effect, create a more favorable attitude among the American public toward immigration. The more positive the benefits of immigration, the more favorable will be American attitudes toward immigrants.

Mr. SMITH. Professor Chiswick, you also said that the immigration of low skilled workers increases income inequality, increases poverty, and increases Welfare dependency. Maybe you just answered the question, but it seems to me that, that does not make

much sense as a policy that is imposed by the Congress on the people.

Mr. CHISWICK. I would hope Congress would not want to impose that on the population.

Mr. SMITH. We already are, actually, as you know.

Mr. CHISWICK. I think it is an unintended consequence.

Mr. SMITH. Yes, I do too. I do not think it was intended.

Mr. CHISWICK. That was not the intention.

Mr. SMITH. But that does not mean we should not change it. Thank you.

Dr. Edwards, you mentioned the entry of nearly a million predominantly unskilled migrants this year and can be expected to provide leverage for rebuilding the Welfare State.

Then you make the point that the most economically vulnerable Americans, including previous immigrants will suffer both lower wages and head-to-head competition from low skilled jobs. I wanted to add something to the equation. That is the folks coming off the Welfare roles today are also going to be competing head-to-head with these new comers; will they not?

Mr. EDWARDS. That is correct, Congressman. Currently we have reduced the welfare roles down from about 13 million to 8 million. Certainly, these left are the toughest cases. It seems we are compounding the problem.

Mr. SMITH. I do not think you had time in your verbal statement, but you did mention in your prepared text that immigration is not an unmitigated benefit or an unmitigated cost to the Nation. That is the point that I make frequently. I just want to say that I agree with you.

Immigration is neither all good nor all bad. There are many benefits. There are many adverse consequences as well. To me it is very, shall we say, overly simplistic to say immigration is good or to say immigration is bad as well.

Thank you Dr. Edwards. Mr. Judy, you mentioned several points. You said we need to reconnect immigration policy with the needs of America. You would recommend a point system such as that which Canada or Australia has.

Let me ask you, because this is not something we have tended to talk in terms of—we need immigrants with at least a high school education. Under the point system, you actually give more points the higher level of education. So, if you had someone with a college education, they would be given more of a preference than those with just a high school education. Is that what you are suggesting, and if so, do you think that would be of benefit to the economy even more than otherwise?

Mr. JUDY. Thank you for the question. I am not quite so sure that I think that. No, I do not. I think the skills need to be interpreted more broadly than simply educationally. It needs to be collective.

Mr. SMITH. Let us say a combination of the two.

Mr. JUDY. I think that the point system should have the capability of recognizing work place skills that are not simply confined to degrees accumulated. That is not always the case of somebody with a higher education, more degrees accumulated in other words, is

likely to make a greater addition to our workforce or to our polity for that matter.

So, I would not favor a very simple minded kind of a point system; somewhat more nuance than flexible, and one that lends itself to a change from time-to-time as the needs of our economy may change as well; certain flexibility in other words. The point system is one of its great advantages.

Mr. SMITH. Thank you Mr. Judy. Ms. Burdette, I am going to get through everybody after all. Thank you; a couple of points. One, you mentioned the point that there were unused employment-based visas, but you also made a point prior to that, that one of the reasons is sort of a cumbersome process that does not encourage businesses to necessarily apply for these visas.

I agree with that point. I was going to make also the additional point on those employment-based visas that 95 percent require at least a Bachelor of Arts degree. Businesses sometimes, I think, would like to avoid the effort, trouble, and the time that it takes to find those people and apply to that process.

I think we are going to hear in these comments that most businesses would just like to have it easier to employ people who have skills in education that they need without going through that thicker process.

Dr. Edwards mentioned something that I thought was instructive. That is according to the National Academy of Sciences a peer review study and widely thought to be credible, that immigrants without a high school education had a net cost of about \$90,000.

Immigrants with a high school education alone cost about \$30,000 over their lifetime in benefits received rather than taxes paid. Those with more than a high school education had actually a contribution of \$105,000. It was a net gain. Do you find any fault with that study? Do you have any reason to doubt those numbers?

Ms. BURDETTE. I really do not know about that situation, but I would like to make one comment about what you mentioned earlier in your question.

Mr. SMITH. Okay, sure. Be brief, if you will so we can move on.

Ms. BURDETTE. The issue I wish to mention is about not using all of the employment immigrant visas. There are people out there that are qualified in the employment-based immigrant system. The problem now, as I see it, especially with our computer technology industry is that there are a large number of people from India and Mainland China that are not able to take advantage of the process. Therefore, the companies are handicapped by not having access to these people on a permanent basis.

Mr. SMITH. That was one of the reasons we increased the H-1B visas, that you mentioned them in your testimony, last year by such a large number. Thank you Ms. Burdette. The gentlewoman from Texas is recognized for her questions.

Ms. JACKSON LEE. Thank you very much, Mr. Chairman.

As I indicated earlier so many members have so many conflicting schedules. I think, again, for the record I will make that point known. Mr. Meehan is in the middle of another hearing in another place. I would be happy to yield to Mr. Meehan for a question at this time because of the necessity that he might have to leave.

Mr. MEEHAN. I thank the gentlewoman for yielding.

I am engaged in an Armed Services hearing with the Secretaries of the various Services. I have not been here obviously for all of the testimony, but I feel strongly in a global economy that we have to provide the education, and training, and the skills for our workforce.

I believe strong that our ability to compete in a global economy requires that. I cannot help but be reminded how my grandparents go into the United States without college degrees, without high school degrees; how hard they worked when they got here.

I am concerned about this notion of an educational standard for immigration when there are so many people like my family that came to the United States from across the ocean without any skills but worked hard once they got here.

In some cases, they utilized cutting edge educational and training programs like the community colleges are trying to institute. What are becoming relative to immigration if we all of a sudden set-up educational barriers for entrance into the country?

Mr. CHISWICK. I would respond by saying that first of all, things have changed. The economy has changed. We have a place for highly motivated unskilled workers in our economy. There is no question about that. The problem is that today we have too many of that particular type of worker in our native workforce. We need to concentrate very seriously on raising the skills and qualifications of that portion of our own workforce, not creating more competition among them.

However, my point is that times have changed. Our modern economy, particularly our technology, is highly high skills biased. For us to realize the potential of technology and maintain our global position in the world, we need the kinds of people that will allow us to lever that technology.

We are not arguing I think, or any of us at this table, that we should totally exclude people without the will to work and maybe a modest education. We tilt, as I have said tilt, the mix of our annual immigrant intake toward people with greater skills and greater education and fit more happily into the needs of our workforce.

Mr. MEEHAN. I just get a little concerned that maybe we have not done as good a job in educating our own workforce. I get concerned when we have not done as good a job as we should getting people the skills and the training that they need.

I hear that from companies all of the time which is why we need to make investments in education. I get concerned about the notion that rather than beef up our educational system, that we are going to try to bring in better skilled or highly skilled workers instead. It is just a concern that I have.

Mr. CHISWICK. I think it should not be viewed as either or. I think we need to invest in the skills of our native born workers. They are going to be the large bulk of the workforce in the future. It is very important that we invest in their human capital.

We can augment the native born workforce through our immigration system. Following up on the point that was just made, the economy of the early 21st Century will be very different from the economy of the early 20th Century.

My grandparents were also immigrants. My father was an immigrant. The kinds of jobs that they did are really not relevant any-

more; the low skilled production worker types of jobs are no longer abundant. The jobs are in the high skilled sectors.

Ms. JACKSON LEE. If I might just add since I know the clock is going to go and follow upon Mr. Meehan's question and reclaim my time for a moment because I wanted to pointedly ask Professor Chiswick, are you saying either or in terms of the fact that you want a high school diploma as an absolute, thank you Mr. Meehan, as an absolute criteria?

Are you saying that it is something to consider? Then Dr. Edwards, if you would, I will quickly ask the question, how do you explain Ms. Bouma from Sierre Leone, a clearly unskilled worker, who now is a contributing member of society, a business owner, an employer, and literally has responded to the trend that we are used to in immigration?

Lastly, why are we pitting one against another. Why do we not have provisions to train American workers? Why do not American businesses hire them? Professor Chiswick, are you saying either or? Are you suggesting an absolute binding high school diploma requirement?

Mr. CHISWICK. Not necessarily, but I think that the burden of proof should be that for anybody without a high school degree, there has to be a compelling reason why that person is of value to the United States. Without a compelling reason, then I would say no.

Mr. SMITH. Dr. Edwards, could you answer the question too?

Ms. JACKSON LEE. I appreciate that, Mr. Chairman.

Mr. EDWARDS. I will be brief. I agree that it should not be viewed as an either-or. I agree that times have changed. The economy, its nature has changed. I applaud folks like Ms. Bouma who is here with us and those who create jobs like that.

Looking at the whole picture rather than at specific anecdotal instances, I think that we should say yes, we need to do more to improve our own education system, et cetera. We should not say just an accumulation of degrees gets you in. I disagree that that should be the case. That just shows a professional student. It should be looking at things such as level of literacy. Is there any degree of English language proficiency? Those things really are the keys, or I guess a good way to put it is the shoestrings and the bootstraps to help empower those to help themselves.

Ms. JACKSON LEE. Thank you.

Mr. SMITH. Thank you. The gentleman from Indiana, Mr. Pease, is recognized.

Mr. PEASE. Thank you, Mr. Chairman.

I want to thank the members of the panel for your presentation and your written materials, both of which are very helpful and I am grateful for those. My experience on this committee is only 2 years. During that 2 years, it has appeared to me that most of our work in immigration has been reacting to problems rather than trying to plan ahead and anticipate problems. Generalizations are not fair. There are exceptions to that.

In general, that has been my feeling here. Nowhere was that more true than in our discussion last year on H-1B visas where we were reacting to changes in workforce needs instead of antici-

pating them and trying to deal with them in a more efficient way and hopefully a more fair way.

So, I am interested in the mention that several of you made about the system that is, or the variant of the system that you mentioned that is in place in Canada and Australia. I am inclined to agree with the presumptions that go into the advocacy of those systems.

Obviously the problems get into the details. My question is whether there has been enough experience in either of those countries with the systems you now describe for us to have some measure of the success or failure of those systems? Have they not been in place long enough for us to draw those sorts of conclusions? I ask anybody on the panel that wants to respond.

Mr. JUDY. As a former landed immigrant in Canada, I am an American citizen born here. For a long period I was a professor at the University of Toronto. To do that, I had to become a landed immigrant as it is called. That was a long time ago that I became a landed immigrant in Canada.

Indeed, it was 1964. Already then the system had been in place for quite some number of years. So, indeed, to answer your question directly, that system, and I cannot speak for Australia, but in the case of Canada, it has been in place a very long period of time. It is perfectly vulnerable to evaluation. It has worked well there though.

Mr. CHISWICK. I had studied both the Canadian and Australian systems. They work very well. They are very important in getting high skilled workers into those countries, in particular high skilled workers who would really rather come to the United States, but cannot because of our Immigration Laws. So, we are actually subsidizing Canada, Australia, and other countries.

Mr. PEASE. Thank you. Can any of you explain to me the historical or philosophical rationale for a per country cap and how that interfaces with our current needs that do not know national boundaries that I can tell.

Ms. BURDETTE. If I could answer that again. Rationale and Immigration Law are usually two different issues. But I think it came about because they did not want any one country to have an unfair advantage in getting the employment-based visas.

However, if the system is falling short with unused visas, clearly lifting the cap to a certain percentage, I do not think, would jeopardize other people wanting to come in. I mean, if it was a situation where one country used all of the numbers all of the time, in that case, yes, it would be very important to have a restriction. Some change allowing one country to bring in more workers should be implemented to avoid unused visas under the annual employment-based immigrant quota.

I think at this point because of the pressures from U.S. employers, raising the per country cap would not do any damage. It could help alleviate some of the H-1B problems that we were talking about earlier because they have to stay on H-1B visas until they are able to finish the process, which is getting delayed further and further.

Mr. PEASE. Thank you, Mr. Chairman. Thank you members of the panel.

Mr. SMITH. Thank you Mr. Pease. The gentlewoman from California, if she is ready, will be recognized.

Ms. LOFGREN. Thank you, Mr. Chairman. I am sorry I—Californians had to be in the Science Committee to vote on the Earthquake Hazard Reduction Act. I did want to ask a question about employment-based permanent residents. I missed some of the oral testimony, but I did have a chance to read the written statements.

I think immigration to America has always had multiple goals, at least in this Century, of being a beacon of freedom for refugees, reuniting families, strengthening our country through bringing in talented people. It has not ever been just one objective.

An important objective is allowing very talented people to come here and enrich our country. I hear all the time from practitioners, and companies, and individuals as well how difficult and burdensome it is to actually go through all of the hoops that are put in place on the employment-based, the labor certification process and the like, how dysfunctional that is.

Without addressing the issue, I do not think that in order to do a good job in bringing in educated and talented people you have to reach the conclusion that their spouses have to also have a Master's degree. I am interested in how we might improve the labor certification process.

I am wondering, perhaps, even eliminate it and replace it with something that was more market-based. If any of you have some suggestions on how to streamline that, make it quick, make it pointed, make it market-driven.

Ms. BURDETTE. If I could address that. Obviously, this is what I do. I mean, I am dealing with the end result of the legislative acts and the procedures. The labor certification, you are from California?

Ms. LOFGREN. Yes, I am from Silicon Valley.

Ms. BURDETTE. Labor certification is especially a disaster in California right now. The Department of Labor is trying to introduce some reduction in recruitment procedures and other streamlining mechanisms. Sometimes they are helping. However, I think the problem is that the Department of Labor has never really focused enough personnel and funding on permanent labor certification processing to make it a reasonable time frame for employers' needs.

They also do not use real world criteria with their recruitment efforts. Mr. Chiswick referred to it as being a sham. It is a sham because it has to be. The Department of Labor regulations require the U.S. employer to do all of these things. Now, the Internet is a common place for employers to advertise, but Department of Labor still mandates several print ads that are very expensive.

Ms. LOFGREN. It keeps some newspapers alive in California.

Ms. BURDETTE. Definitely. In Houston now that we only have one newspaper, they are making a killing. I can tell you that. The issue is the Department of Labor acts like they have never recruited employees. They need to look at this from a real world perspective, if they are going to streamline their system to really test the labor market and serve the function that they are supposed to serve. They get so bogged down in minutia that they do not step back and see what is really going on out in the employment community. I

think that would be progress if they could step back and try to make this a real world system instead of a regulatory nightmare.

Ms. LOFGREN. Mr. Judy, have you considered this also ow we might—I mean, I think the Department of Labor, although they are doing the job that Congress asked them to do. I mean, I do not want to just bash the Departments. I am really questioning the system that we have established.

Silicon Valley has product cycles of 7 to 8 months. We have labor certification processes that consume years; and how we might align our rather burdensome processes with the market forces in the way that works, yet also fulfills the goals that we have had here in Congress to make sure that it is a legitimate need. What are your suggestions?

Mr. JUDY. I totally agree with the points you have just made. I do not think it is because people at the Department of Labor are bad people or not doing their job. They are doing what they have been asked to do as best they can. It is, however, a highly bureaucratic, cumbersome, and unnecessarily complicated procedure.

It has several disadvantages to it. Several have been described unquestionably. Also, it gives the advantage to the large companies and the large companies only. Only they can really afford all of this nonsense, if I can use that expression, that is required of smaller and medium sized companies.

Those companies, by the way, are some of the most dynamic in our society and have a much more difficult time because they simply do not have access to the same talent that Ms. Burdette may be able to offer to some of hers. So, it discriminates in a way.

We do not want to discriminate against the start-up companies, the young entrepreneurial companies of Silicon Valley and elsewhere in this country.

Ms. LOFGREN. Finally, I am wondering if any of you have thought about how we might better integrate reforms in the permanent labor certification employment-based immigrant population with the H-1B Program.

As you know, I have already written, and I do not know whether others have, expressing my very serious concerns about the Department of Labor's proposed regulations on the H-1B Program that I think are way beyond what our law even permits them to do, and clearly out of keeping with what we all had in mind. I think that is clearly reflected in the record.

One of the issues raised when we were looking at the H-1B Program last year was the fact that most H-1B non-immigrants later eventually become permanent residents. Now, I do not think that is a negative necessarily.

It seems to me that if that process is a good one, and I think for the most part at least clearly for the non-dependents there is general agreement it is pretty good for our country; whether we might bootstrap that system into cleaning up this permanent mess that we have.

Mr. CHISWICK. If I may, the way we currently operate, both the H-1B and the occupational preferences, they are essentially targeted employment programs. An employer has to petition for a particular worker. Somebody in some Government bureaucracy has to bless that marriage.

I have been through that hiring somebody and getting a green card for a worker. It is cumbersome. It is costly. Scrap both and go to what the three of us have suggested, a point system, where you could expand the number of people who would be eligible so that you could include the numbers currently allocated for the occupational preferences and currently allocated for the H-1B and get the Labor Department out of this detailed process.

Ms. LOFGREN. I realize my time is up. I am familiar with the point system in use Australia, Canada, and also New Zealand. Obviously, they are facing different dynamics in their populations as well as their economies. We are not disinterested in it, but I think it was well to recognize that their situations are also somewhat different.

Mr. EDWARDS. May I add one thing please, Mr. Chairman?

You mention the concern that you have, and I share that concern. Just because one person is admitted because they have a Bachelor's degree under an employment-based visa and then their spouse maybe would not, it is my understanding the case would be that in most instances because people tend to associate and end up marrying people of the same socio-economic class, that the spouse would also hold a degree.

Ms. LOFGREN. Oh, that is not at all the case. If you look at Silicon Valley, especially some non-Western cultures where the cultural imperative is very much against women getting a Master's degree. You can have a very successful scientist whose wives have very traditional home roles.

Mr. EDWARDS. I would say there was some mention of this in the New Immigrant Survey, the longitudinal study, just recently undertaken.

Mr. SMITH. Thank you Ms. Lofgren. The gentleman from Virginia, Mr. Goodlatte is recognized.

Mr. GOODLATTE. Mr. Chairman, thank you very much for holding this hearing. This is an issue that I am very interested in and I commend your leadership on it. I am interested in hearing from the members of the panel on this issue, as in the information the committee has provided me regarding the breakdown of immigration to this country reveals that a very low percentage is employment-based.

I happen to be a believer that our Immigration Law should serve not only the interest of immigrants but also the interests of the Nation. Therefore meeting our employment needs which is in many respects closely related to requiring certain skills to be admitted to the country is a valuable aspect of our Immigration Law and in my opinion more valuable than some of the other categories; most especially the diversity lottery-based immigrants.

I wonder if any of you have any comments on the following: if Congress was to increase immigrant visas for those with particular skills, but not increase the total amount of immigration, where would you take those visas from?

Mr. CHISWICK. Well, I would take them from the diversity category which is actually contrary to the interests of the American economy.

Mr. GOODLATTE. That is the lottery-based immigrants?

Mr. CHISWICK. The diversity visas, yes, which do not add skilled workers. They add low skilled workers to the economy and new claims for kinship-based visas. I would also take them from the brothers and sisters category, as well as from the adult relatives of resident aliens. I would still maintain that spouses and minor children of U.S. citizens should have not difficulty getting a visa.

Mr. GOODLATTE. Dr. Edwards.

Mr. EDWARDS. I would generally agree that if you are keeping the current preference system, you would want to reduce both from the diversity category as well as from the extended family categories.

Mr. GOODLATTE. Do you have a feel for how many visas should be increased in the skill-based category?

Mr. EDWARDS. I really do not because my preference would be to scrap the preference system and go to a point system where individuals are judged as individuals rather than in some arbitrary category.

Mr. GOODLATTE. Mr. Judy.

Mr. JUDY. I would endorse both these last two comments. Mainly, I am in favor of scrapping the entire system. I think we ought to start over again with a point-based system and move away to a rule-based, but much more simplified, direct, point-based system. That would obviate the need to rob Peter here to pay Paul.

Mr. GOODLATTE. I just want to ask Mr. Judy a follow-up to that. That is assuming that a political dynamic does not exist to be able to scrap the system to start over again at the present time, how would you fine tune the current one?

Mr. JUDY. I think Professor Chiswick has described the way to do that. That the extended family preference our to be abolished; all of his suggestions. There is no point in repeating those that he made. I would endorse them.

Mr. GOODLATTE. Thank you. Ms. Burdette.

Ms. BURDETTE. I guess one concern that I have when we are talking about a point system or an educational requirement is that the basis for our Immigration Law is family reunification. Employment categories have also increased because there is a need for foreign workers in our population.

I am very concerned if we are going to start requiring any sort of an educational requirement for a spouse of a U.S. citizen. I deal with the people. I know the human dynamics.

Mr. GOODLATTE. Well, let me address that for a minute because family reunification is certainly a part of our Immigration Law. I think maybe we extend that a little too far and it becomes totally impractical. Let me give you an example of that.

You have two brothers are living in, pick a country, India. Family has the resources to send one to college in the United States. He says to his brother, do not worry. I will bring you to the United States some day.

Well, he comes to the United States and goes to college for 4 years. He then goes to graduate school for a couple of years. He then gets an H-1B non-immigrant visa on which he works for perhaps 5 years. During that time, he gets permanent resident status which he can retain for—unless he marries a U.S. citizen for a minimum of 5 years before he can apply for citizenship.

He then applies for citizenship and petitions for his brother once he becomes a citizen. The waiting list for the brother, sister preference category of United States citizens from India is how long today?

Ms. Burdette: Ten to 15 years. It is a very long time.

Mr. GOODLATTE. We are talking about a total of maybe 25 or 30 years between the time when that one brother left to come to the United States and he is able to bring the other brother to join him. How practical is family reunification under those circumstances?

These are people who have lived half a lifetime apart from each other. Why should that be a high priority in our Immigration Law in comparison to reunifying immediate family members, spouses, and children of permanent residents and certainly of U.S. citizens who are not in the preference categories and meeting other needs that we have in this country such as allowing employment shortages to be met through immigration into this country, and allowing immediate family members of those employees to come? All of that is diminished by the preference category that you describe as family reunification. I would suggest to you that is hardly reunification at all, when relatives have been separated for such a lengthy period of time and have lived separate lives, separate families have developed and so on.

Ms. BURDETTE. I understand what you are saying about the brother, sister category. It is problematic. I understand your issues. One concern that I have is about the spouses and children of permanent residents that have to wait 5 years. I mean, if we are talking about family reunification, we really need to do something about that.

Mr. GOODLATTE. Would you be willing to take visas from the brothers, sisters of U.S. citizens' category in order to solve that problem?

Ms. BURDETTE. I do not know if I could comment on that. I am not sure.

Mr. GOODLATTE. It is a simple question.

Ms. BURDETTE. Well, a lot of the families of the brothers, sister category that are in line actually immigrate through some other mechanism long before those visas mature. There are certain situations where they do provide access.

Mr. GOODLATTE. If they find another means, it is lawful to come to the United States. Many of those are employment-related. I have no problem with that if they have the skills.

Ms. BURDETTE. If you are discussing about eliminating it, what are you going to do with the 2 million to 3 million people that are in line right now?

Mr. GOODLATTE. We could certainly agree on some kind of a way to deal with the backlog. The backlog keeps getting longer and longer and longer and does not provide any practical contribution to the needs of our country and the needs of others who have skills to offer us as immigrants.

So, I would encourage you and I do not know if you are here representing the American Immigration Lawyers Association, but I am a former member of that organization. I would encourage you to discuss with them being a little more realistic.

We cannot do everything for everybody. I would place a higher priority on the reunification of immediate family members in the permanent resident category than I would on some of these other things.

Thank you, Mr. Chairman.

Mr. SMITH. Thank you Mr. Goodlatte. The fact that you are an immigration lawyer or were before you came to Congress is evident. I agree with all of your points. Ms. Jackson Lee has another question. Otherwise we are going to go to the next panel.

Ms. JACKSON LEE. Yes. I thank you very much, Mr. Chairman. Let me say that Ms. Burdette has mastered the fine art of witness testimony by not answering the question when pressed. That is an option. So, I appreciate you wanting to consider the question.

I think that is very important. I have a question to you. Coming from Houston with a very sizeable immigrant population, you have talked about the issues dealing with the high skilled, which is what your representation is, but I think you also have a back drop of the integration, if you will, of immigrants period.

Mr. Chairman, let me just say to you that these panelists have certainly raised an issue that we might collectively work on which is the DOL problem that we should study and consider.

I think also you, Ms. Burdette, have helped me focus that these points should not be mutually exclusive; the idea of high skilled workers and your clients needing high skilled workers, but the fact of reality that low skilled workers are here.

As Congressman Lofgren said, people come for so many different reasons. How can we define an immigrant policy that is so singularly one or the other, I would ask the question to you?

Mr. Chairman I would ask to be allowed to submit into the record a statement, excuse me, an article from the *Miami Record* dated Friday, July 10, 1998 that says, "According to the new study conducted by the Kato Institute and sponsored by the National Immigration Forum, foreign born Americans and immigrant-owned businesses fuel the U.S. economy and pay more in taxes than they receive."

The study indicated that more than 1 million sole proprietors and some 60,000 immigrant-owned companies paid an estimated \$23.9 billion last year, while households with a foreign born adult paid \$133 billion in 1997; more than 8 percent of the total.

Mr. SMITH. Without objection, we will make that a part of the record.

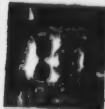
[The *Miami Record* article referred to follows:]

Miami The Record

FRIDAY, JULY 10, 1998

Assessing immigrants' contribution to our economy

MIGUEL PEREZ



IN YET ANOTHER study, researchers have found that the nation's 25 million immigrants contribute more to American society than they cost. And in yet another effort to divert reality, those who lack the evidence to substantiate their and immigrant taxpayers' claims have labeled the study as "junk science."

Cheap labels have all the political appeal of a politician's "junk science" label.

According to the new study, conducted by the Cato Institute think tank and sponsored by the pre-immigration National Immigration Forum (NIF), foreign-born Americans and immigrant-owned businesses fuel the U.S. economy and pay more in taxes than they receive in government

In local, state, and federal taxes, the study found that more than 1 million new immigrants and some 50,000 immigrant-owned companies paid an estimated \$22.9 billion last year, while households with a foreign-born adult paid \$153 billion in 1997 — more than 8 percent of the total.

The findings led Stephen Moore, the Cato Institute's economist who wrote the report, to conclude that "immigrants are a fiscal bargain" for American taxpayers. That's because he found that newcomers create jobs, pay into the Social Security system at a far higher rate than they draw, and because most come here already educated.

"We get the benefit of 80 or 40 years of their work but generally don't have to pay the cost of their education," Moore said.

Most importantly, Moore found that a typical immigrant family pays \$20,000 more in taxes than it receives in government services during a life-

only the cost of government services to recent immigrants, the Immigration-Budget Foundation for American Immigration Reform (FAIR), argued that U.S. households pay between \$150 and \$150 annually to support recent immigrants.

This is clearly a distortion, because, as Moore explained, while many immigrants depend on government services when they first arrive, after 10 to 15 years in the United States, they begin to contribute more in taxes than they receive in benefits.

Frank Sherry, NIF's executive director, said that while immigration opponents choose to look at the issue in abstract, looking at a series of realistic contributions by immigrants is more fair and realistic.

"So much of the hostility toward immigrants and the restrictive policies which have been proposed have been driven by a misrepresentation that immigrants are a huge drain on our economy, based on the taxpayers," Sherry said. "We are just asking our voters to an outrageous estimate that that simply isn't true."

The report comes as the U.S. House of Representatives prepares to vote on a measure to increase the yearly quota of highly skilled immigrant visas from 55,000 to 115,000 — a measure supported by American high-technology companies but not by many more technical workers from abroad. Both the U.S. Senate and the House Judiciary Committee have voted to raise the quota to that level.

But FAIR's chief lawyer, executive director Dan Smith, told reporters that the Cato study is "junk science" and "a piece of propaganda" designed to "mislead policymakers by perpetuating confusion to produce results."

Coming from a scientist who uses distortions and scare tactics to lobby for a reduction and even a ban on new arrivals, this is highly hypocritical — something we have come to expect from an organization that is anything but FAIR.

Instead of blaming the federal government for failing to adequately disperse local and state

government for the cost of servicing new immigrants — as Moore does in his report — FAIR uses such disparities to argue against immigration.

Moore found that while state and local governments provide two-thirds of the benefits to immigrants, the federal government provides about one-third of their taxes. "There's no doubt that the federal government is making a substantial net expense of state and local governments," Moore said, noting that the federal government

"should look at some form of economic aid for states and cities that have large immigrant concentrations."

Unfortunately, in the meantime, xenophobic lobbyists keep recycling a handful of anti-immigrant

hoax. "The bottom line is this: We may not like the fact that we are a nation of taxpayers," Sherry said, "but we should be grateful that our land is lightened by the fact that we are a nation of immigrants."

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Mr. SMITH. Let me say to the gentleman that we are having a vote momentarily. If we are going to get to the second panel, I do not think the third panel is a possibility before lunch, but I would like to at least get to the second panel.

Ms. JACKSON LEE. Ms. Burdette, low skilled workers and a total block against them, what is your opinion about that?

Ms. BURDETTE. Well, many of my businesses do need low skilled workers in lots of areas. In the construction industry, there are just not enough of certain kinds of workers to fill the needs, or because the employers get large contracts or they have peak load/seasonal needs.

It is almost impossible to get those type of workers processed through the current immigration categories. A lot of U.S. companies are talking about moving projects to Mexico. Offshore platform construction can be moved on down the Gulf Coast. I am very concerned that businesses are not able to take advantage of these large contract opportunities because of the restrictions.

Now, the other low skilled immigrants that come in through family immigration, I do not necessarily agree with all of the comments about how these individuals are going to all come in and go on Welfare.

What I have found in my experience dealing with these immigrants is that they are all for the most part extremely motivated to work hard. They fully appreciate our economy here, unlike most people in this country. They have been living in countries where it is a lot worse. They are motivated to take advantage of the opportunity offered by the U.S. I do not think that we should assume they are going to come in and be a drain on our economy. I think they will revitalize our economy and help fill some of the low skilled positions that we need filled as well.

Ms. JACKSON LEE. Thank you, Mr. Chairman. Thank you Ms. Burdette.

Mr. SMITH. Thank you Ms. Jackson Lee. Thank you all for being here. I appreciate the effort that you all made and the contributions you have made as well.

Ms. JACKSON LEE. I do too. Thank you very much.

Mr. SMITH. We will now go to our second panel. Let me introduce them on their way up. Mr. Randel K. Johnson, Vice President, Labor and Employee Benefits, U.S. Chamber of Commerce; and Mr. William Archey, President and CEO, The American Electronics Association.

Mr. Archey, if you will begin as soon as you are able. I understand you have a slide presentation.

**STATEMENT OF WILLIAM ARCHEY, PRESIDENT AND CEO,
AMERICAN ELECTRONICS ASSOCIATION**

Mr. ARCHEY. Right. If I might, Mr. Chairman, with your permission if we could turn the lights down so that it will be easier for everybody on the dias and in the audience to see.

Mr. SMITH. We have somebody prepared to do that I think.

Mr. ARCHEY. I have a written statement that I have submitted, but I am also going to present some data that comes from a couple of reports both of which are coming out within the next 30 to 45 days. One is the update to a publication we published twice before.

It is called Cyberstates. It is all about the high technology industry in all 50 States.

The second one is a book called CyberEducation which will be coming out in 4 to 6 weeks. It takes a look at educational performance from K through 12 in all 50 States and the high tech degrees in all 50 States and what is the correlation. So, I would like to just take you through some of this, if this will work.

Mr. SMITH. Mr. Archey, if you are going to talk about high tech, I hope this is going to work.

[Slide]

Mr. ARCHEY. First is just take a look at what has happened in terms of jobs between 1990 and 1998. In manufacturing we lost 130,000 jobs. As you can see in software and in computer services, we have gained almost a million jobs.

If you go back to the last quarter of 1993 through 1998 in fact, we have gained 1.1 million jobs in the high tech industry in that period of time. The other thing I would like to just note about that chart, Mr. Chairman, is you can see something that has been the subject of lots of speculation over the years, which is that this is an industry that is no longer manufacturing driven. It is being driven by the software side. In fact, this data shows it rather convincingly.

[Slide]

Again, here are the total jobs. We are looking at 4.9, almost 4.8 million jobs. We are looking at where manufacturing declined to 6 percent. As you can see in the bottom one, high tech software and computer-related services we have seen an increase of 105 percent in the jobs between 1990 and 1998. The real boom in this industry actually did not occur until 1995. I think the next chart will show you that.

[Slide]

Between 1990 and 1994, the high tech industry—we have wonderful amnesia in this country when we want to have it. People tend to forget that the boom in the economy, particularly in high technology was no in the early 1990's. In fact, the high tech industry took some big hits all over the country, particularly those States with big defense electronic industries. What has happened is that since 1994, we have seen an increase of almost a million jobs.

[Slide]

I want to take a look at how that translates into—this is data from 1997 the Bureau of Labor Statistics. This is essentially the unemployment rate in various categories of engineering. The one that we look at the most is the one electrical engineering, which has a .90 percent unemployment rate. You can see some of the others; .8 percent for chemical.

[Slide]

Why the growth? I think there are five reasons quickly just Silicon Valley Ethos which is Silicon Valley applied to every part of the United States really where it is high tech. It is called You Can Take Risks. As a former chairman of our Board said to me, he moved from Massachusetts to Silicon Valley about 25 years ago.

I asked him what the difference was between Boston and Silicon Valley. He says well it is two points. The first is no one ever in Silicon Valley ever asked me what school I went to.

The second thing is out here you can fail. I think that is a huge issue. The second one is, is major changes in investments in research and development. This has an industry that is invested and continues, by the way, to invest.

The other one is we have seen the availability of venture capital. I just came back from Europe 3 weeks ago. No matter where you go in Europe what do they talk about? They talk about the fact of why cannot we put together a venture capital infrastructure and they just are not able to do it.

The fourth is that this is an industry that thinks naturally about the international marketplace no matter how small the company.

Then last but not least with this discussion about H-1B certainly in the last couple of years, the relative openness of the U.S. immigration system.

[Chart]

Again, I just want to take a look here at the top five jobs. I will just take a look at one category. Computer-related services; 256 percent increase; almost a tripling of the number of jobs in the space of 8 years.

[Chart]

High tech wages I think is a very important aspect. This is an industry that the average salary has gone up to \$53,145; 19 percent increase in the last 7 years versus an increase in the overall economy of the rest of the private sector of 5 percent.

You can see where some of them are. The first one, pre-packaged software, it has made my son and daughter grow up to be a pre-packaged software worker because the average salary in the United States now is \$80,000 a year. If you are in the State of Washington, it is \$122,000 a year.

Mr. SMITH. Mr. Archey, if you can conclude, I would like to get Mr. Johnson's testimony.

Mr. ARCHEY. Okay. Let me just go to the end of this and just take a look at the wages.

[Slide]

There is some growth of some of our companies. I just want to show you job growth. This came up earlier in the hearing. This is the estimate by the Department of Labor of what the job growth in computer science, computer engineers, and systems analyst is going to be between 1996 and the year 2006. We think this number is extremely conservative. Let us go to just the one on education.

[Slide]

Again, there are several findings we are going to be coming out with. The interesting thing is that on the positive side, American high school kids are actually doing better on comparative testing today than they were 10 years ago, but they are not doing any better in comparison to the rest of the world. Number two is interestingly, $\frac{1}{3}$, as much as 33 percent higher of our high school kids are now taking math, science, chemistry, advanced math, et cetera. They were not doing it 10 years ago.

[Slide]

Then lastly I just wanted to show you a chart. Here is the issue on high tech degrees. There has been a decline of 5 percent, despite the enormous growth of this industry, a decline of 5 percent in high tech degrees granted.

[Slide]

Here is all degrees are up; 16 percent, but high tech degrees which are from Associates to the Doctoral level are down 5 percent.

[Slide]

I just want to show you this last chart because I think this is something that we did not expect. What this chart shows, Mr. Chairman, is the top 10 high tech employment States in the United States. Also, 8 of those 10 are the top 10 high degree granting States in the United States.

It is an extraordinary correlation which, by the way, we did not expect. I would just note to the gentleman from Virginia, the only State in the country that actually had a four digit increase in high degrees granted is the State of Virginia. They also lead the United States in terms of growth in the 1990's with a 24 percent increase in high tech degrees granted.

Mr. SMITH. That is the way to get a member's attention, Mr. Archey. Thank you very much. Mr. Johnson.

[The prepared statement of Mr. Archey follows:]

PREPARED STATEMENT OF WILLIAM ARCHEY, PRESIDENT AND CEO, AMERICAN ELECTRONICS ASSOCIATION

INTRODUCTION

The 3,000 members that comprise the American Electronics Association (AEA) span the spectrum of electronics and information technology companies, from semi-conductors and software to mainframe computers and communications systems. For over 50 years, AEA has helped its members compete successfully in the global marketplace.

AEA's cyber reports—*Cybernation*, *Cyberstates*, *California Cybercities*, and the forthcoming *CyberEducation* show the economic importance of the high-technology industry to the U.S. economy. The data in these reports allow us to conclude, in a nutshell, that the current supply of high-tech workers does not meet industry demand.

THE U.S. HIGH-TECHNOLOGY WORKFORCE

America's electronics and information technology industry is driving national economic growth and affects nearly all segments of the U.S. economy. As an industry, we employed more than 4.8 million workers in 1997, earning an annual average wage of \$53,100, the most recent year data is available. In fact, high-tech jobs pay 77 percent more than the average private sector wage in the United States. Most of these jobs have been created since 1993. Indeed, more than one million new high-technology jobs were added to the U.S. economy between 1993 and 1998. This extraordinary growth is expected to continue. The Bureau of Labor Statistics projects that employment in the computer and data processing services industry will double from its 1.2 million in 1996 to 2.5 million by 2006.

Our hottest new industries—microelectronics, internet-related technologies, and electronic commerce—require a highly skilled, knowledge-based workforce. Unfortunately, the future growth of the U.S. high-technology industry, the most prosperous industry in the world, is threatened by a limited supply of skilled workers.

The Federal Reserve Board also has raised concern about the shortage of technical computer workers and engineers across the country. The Fed reports that some firms are already scaling back high-technology production or expansion plans due to the short supply of engineers and information technology workers.

Obviously, if demand continues to outstrip supply, U.S. electronics and information technology industry growth will be hampered, and will ultimately affect the entire U.S. economy.

WANTED: THE BEST AND THE BRIGHTEST

Indisputably, the U.S. high-tech industry needs the best and the brightest workers with the appropriate skills and education to maintain its global competitive edge. The industry is concerned about the decline in the number of high skilled, highly educated workers entering the workforce with science and engineering degrees—the high-tech industry's most valuable resource.

High-tech degrees awarded fell 5 percent, from 219,000 graduates to 208,000, between 1990 and 1996. High-tech degrees in such critical industry disciplines as electrical engineering have dropped precipitously. For example, in that same six year period, degrees in electrical engineering declined more than 22 percent.

The U.S. high-technology industry also finds that many students from the U.S. university system, especially at the graduate level, are not from the United States. In 1996, 38 percent of all Master of Science degrees in computer science by U.S. universities were awarded to foreign nationals. And 46 percent of all Ph.D.s in computer science were awarded to non-U.S. citizens.

These individuals have the requisite education and skills to make a major contribution to the global competitiveness of the U.S. high-technology industry by creating new jobs and products, and many have already done so. The technologies and other innovations produced by foreign nationals have helped industry reach its worldwide leadership position.

ADDRESSING THE SHORTAGE

One near-term solution to the current high-tech workforce shortage is to employ technically skilled foreign nationals, especially those educated in U.S. universities. Many of these individuals possess skills needed by the U.S. high-technology industry. Unfortunately, these workers require H-1B visas. Although the H-1B visa cap was temporarily increased by Congress last year, the numbers indicate that once again the cap on H-1B visas will be reached before the end of the fiscal year. The cap on skilled workers is a hindrance for the growing and dynamic high-technology industry.

EDUCATION

The long-term key to the future success and continued global competitiveness of our high-tech industry requires an investment in education, training, and retraining of America's workers. Without aggressive investment in the workforce pipeline, the education problems we are facing today will only worsen.

U.S. education—particularly K-12—does not provide a large number of American students with the skills needed to navigate in today's sophisticated technological world. A February 1998 study showed that U.S. 12th graders scored 19th out of 21 countries in math and sixteenth out of 21 countries in science. The nation's elementary and secondary education systems simply are not doing an adequate job of preparing students in math and science skills necessary to compete in the workforce of the future.

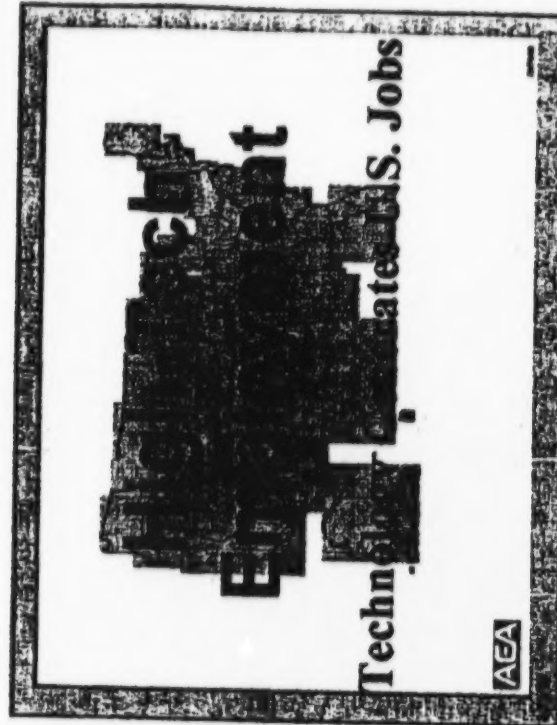
At the same time, it is critical for the high-tech industry to continue to address workforce training. Already, a significant amount of company resources are spent on training and retraining, university investment, community college partnerships, and K-12 commitments.

THE FUTURE

Whatever the future of the high-tech industry, we will want to hire the best and the brightest to continue to grow the industry and the U.S. economy.

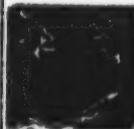
DISCLOSURE

The American Electronics Association received a grant from the Department of Labor totaling \$279,000 for workforce programs and policy. The final grant funding was received by AEA in October, 1998. Grant number: T-E9450046NS



American Electronics Association
Representing the U.S. electronics, software, and information technology industries

*Welcomes You
to a briefing on*

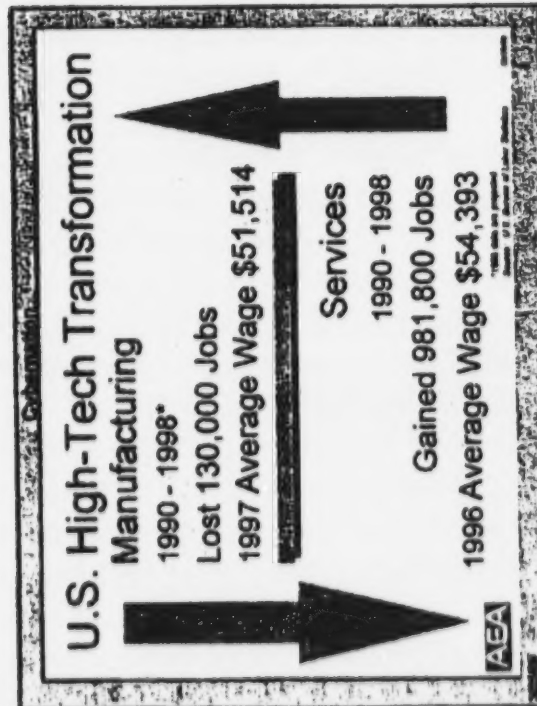
Cyberstars   **Cybermen**  

William T. Archey, President and CEO
House Judiciary Committee, Subcommittee on Immigration
March 25, 1999

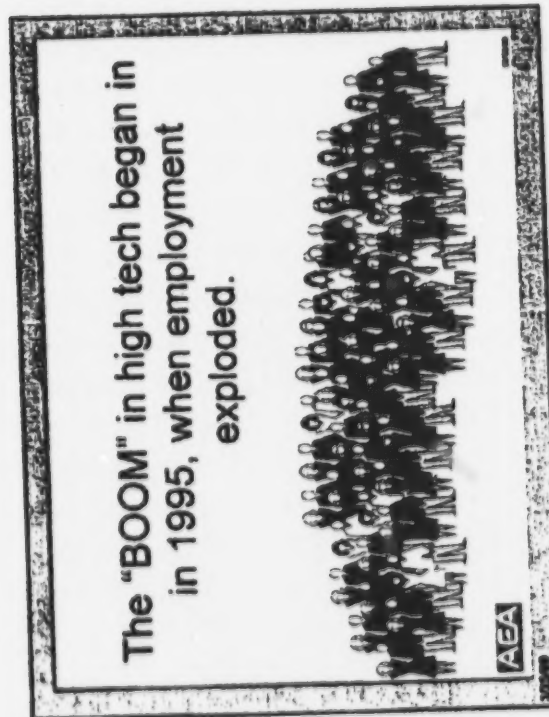
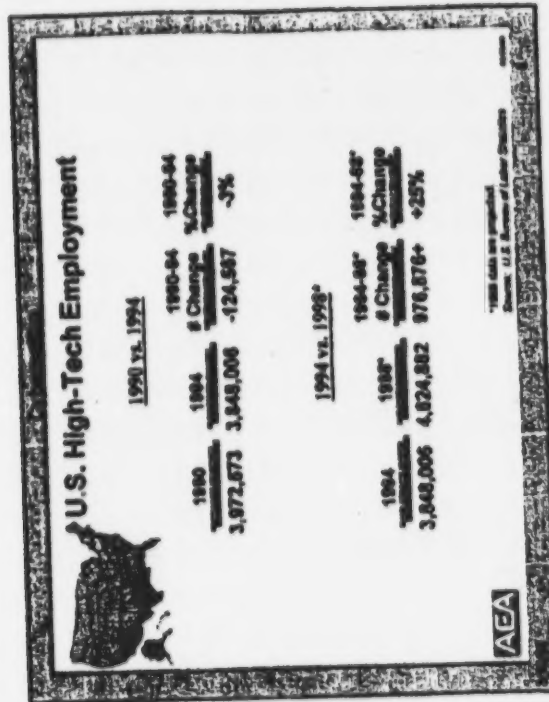
High-Tech Employment, 1990 vs. 1998*			
	1990	1998*	% Change
 Total Jobs	3,973,000	4,825,000	21%
High-Tech Manufacturing	2,116,000	1,986,000	-6%
High-Tech Communications Services	1,077,000	1,237,000	15%
High-Tech Software and Computer Related Services	780,000	1,602,000	105%

*1998 data are preliminary
Data which did not appear the full of the individual sections due to rounding
Source: U.S. Bureau of Labor Statistics

ABA



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Why the Explosive Growth?

- Silicon Valley "Ethos" - Risk/Failure
- Research and Development Investment
- Supply of Venture Capital
- Global view comes naturally
- Relative openness of U.S. immigration system

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High-Tech Job Creation = Low Unemployment

Overall unemployment rate for engineers - 1.4%

Unemployment rate - engineering professions



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Source: Bureau of Labor Statistics, 1987

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**U.S. High-Tech Wages
1990 - 1997***
by Top 5 Sectors



1997 Rank	Sector	1990 Wage	1997 Wage	Percent Wage Change
United States				
1	Prepackaged Software Services	\$44,824	\$63,145	19%
2	Electronic Computers Mfg.	\$56,628	\$79,854	41%
3	Computer Terminals Mfg.	\$58,491	\$70,419	25%
4	Computer Integrated Sys. Services	\$52,080	\$63,575	22%
5	Computer Rental Services	\$51,961	\$61,937	19%
		\$60,565	\$60,895	1%

*1997 data is based on annual averages.
Source: U.S. Bureau of Labor Statistics

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**Top 5 U.S. High-Tech Jobs
1990 - 1998***
by Sector



1998 Rank	Sector	1990 Employment	1998 Employment	% Change
Total U.S. High-Tech Employment				
		3.97m	4.83m	+21%
1	Telephone Communications Services	874,100	856,500	-2%
2	Computer Programming Services	162,400	371,000	+144%
3	Computer-Related Services	91,600	326,000	+258%
4	Semiconductors Manufacturing	241,400	285,000	+18%
5	Computer Processing Services	200,300	269,000	+34%

*1998 data are preliminary.
Source: U.S. Bureau of Labor Statistics

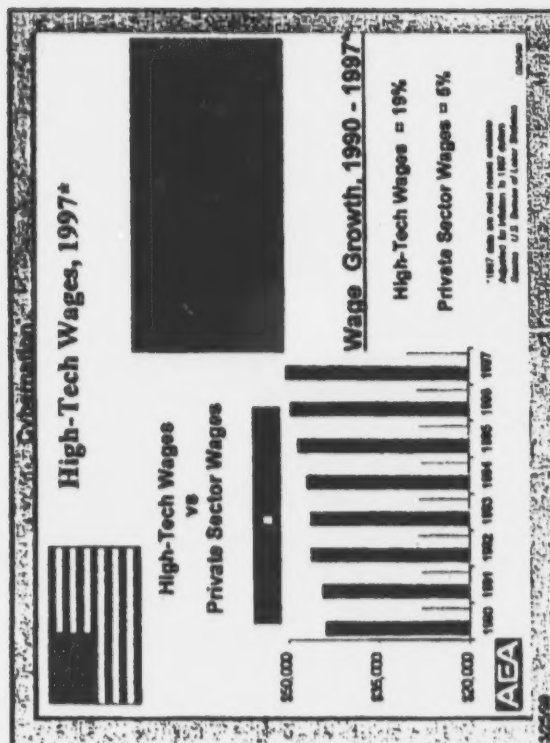
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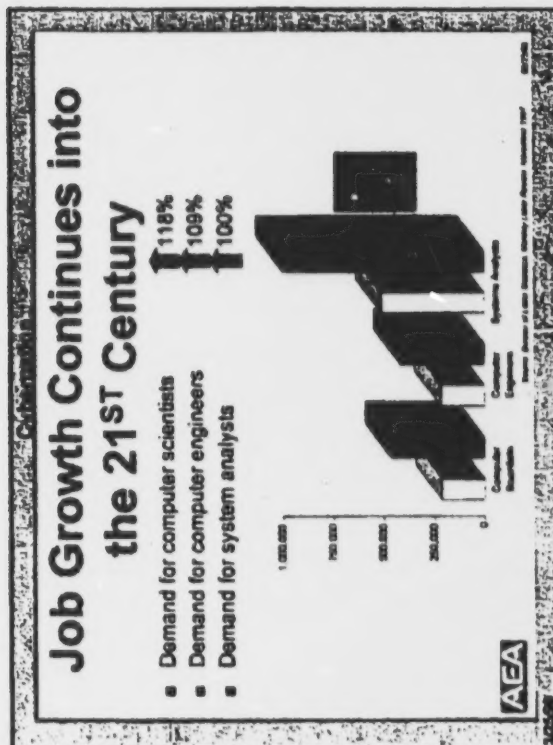
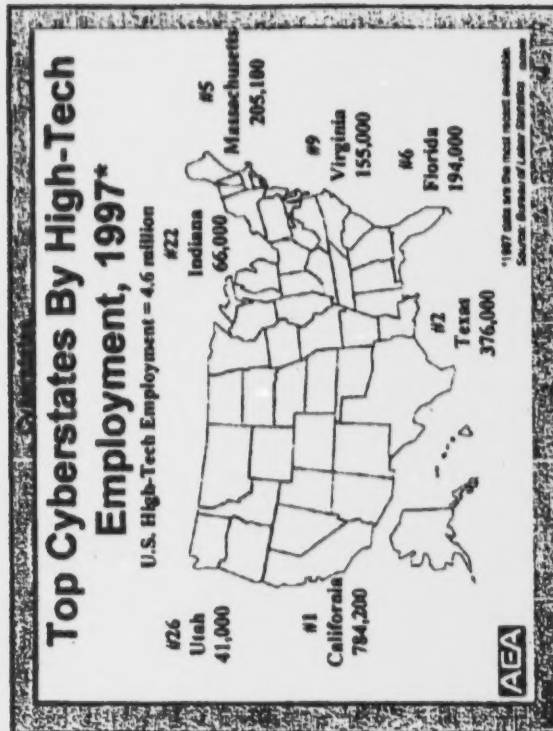
Job Growth in High-Tech Companies 1990-1998*

Company	1990 Employment	1998 Employment	Jobs Created	Jobs Growth
Cisco	254	16,000	14,746	5,808%
Systems	1,500	16,000	14,500	967%
Dell	2,000	18,215	16,215	810%
Sollectron	2,419	4,510	2,091	86%
Novell	0	9,000	9,000	.
Qualcomm				

Source: America's Global Network's Guide to Computer Companies Total Employment Count

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High-Tech Wages Scorecard 1997*				
State	Ax. High-Tech Wage	Ax. Private Sector Wage	% Difference	
California	\$62,800	\$33,000	90%	
Florida	\$43,000	\$28,000	85%	
Indiana	\$37,000	\$28,000	25%	
Massachusetts	\$60,000	\$36,000	66%	
Texas	\$53,800	\$30,100	78%	
Virginia	\$56,800	\$28,900	97%	
United States	\$63,100	\$30,100	77%	

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*1997 data are the most recent available.
Source: Bureau of Labor Statistics

State Employment Growth 1980 - 1997*			
Ranking (by numeric growth)	State	Numeric Growth	Percent Growth
1	Texas	+102,000	+37%
2	California	+66,100	9%
6	Virginia	+33,000	+27%
9	Florida	+24,000	+14%
14	Utah	+13,500	+49%
49	Indiana	-7,200	-10%
50	Massachusetts	-16,600	-7%

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*1997 data are the most recent available.
Source: Bureau of Labor Statistics

K-12 Education

Key Findings

- American students rank behind their foreign counterparts. Currently, of 41 nations, U.S. eighth graders rank 28th in math and 17th in science.

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The Cyber Workforce

High-Tech Growth Requires
an Educated Workforce

AEA

While America's High-Tech industry has exploded...

HIGH TECH EMPLOYMENT
1990-1998
↑ +21%

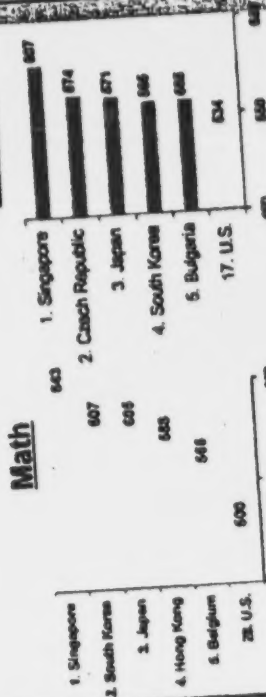


Source: U.S. Bureau of Labor Statistics

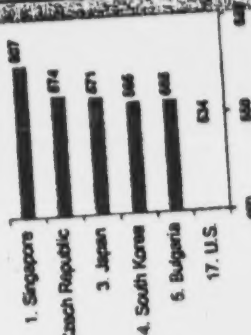
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International Math and Science Proficiency Scores 8th Grade

Math

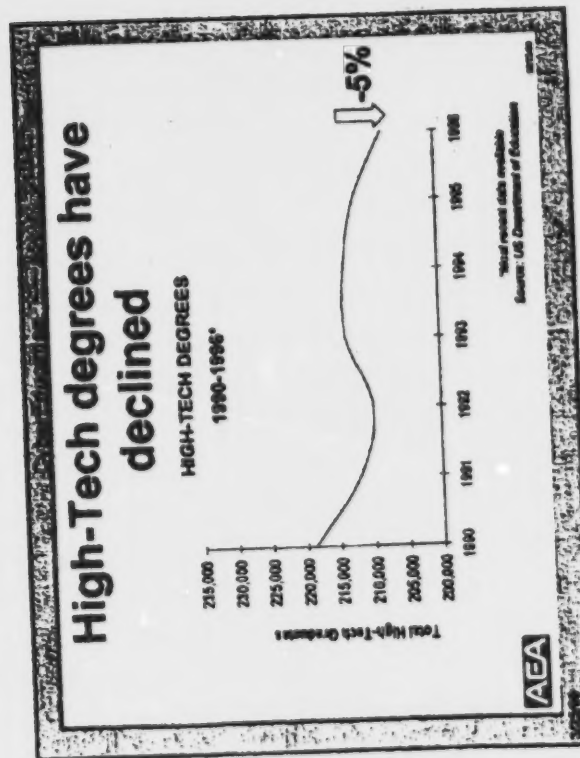
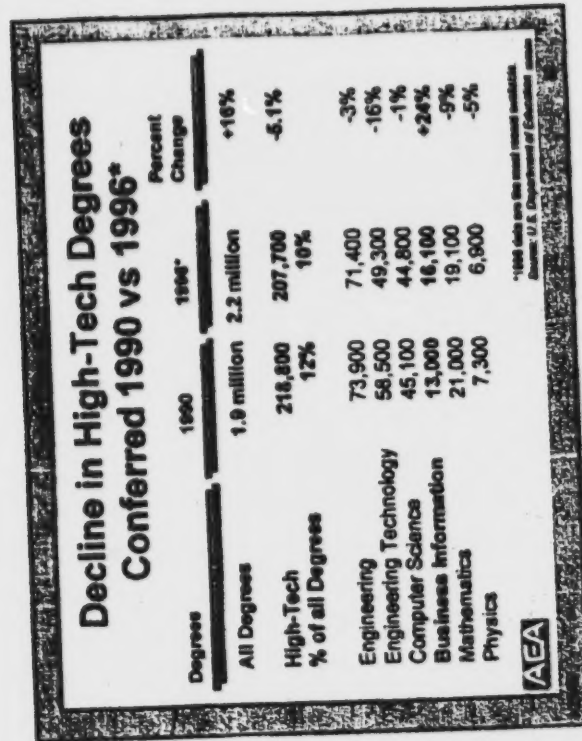


Science



Source: International Association for the Evaluation of Educational Achievement, Third International Mathematics and Science Study (TIMSS), 1994-95

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Top Cyberstates By High-Tech Degrees, 1996*

Top Degree States

1. California
2. New York
3. Texas
4. Pennsylvania
5. Ohio
6. Michigan
7. Illinois
8. Massachusetts
9. Florida
10. Indiana



*1996 data are the most recent available.
Source: U.S. Department of Education

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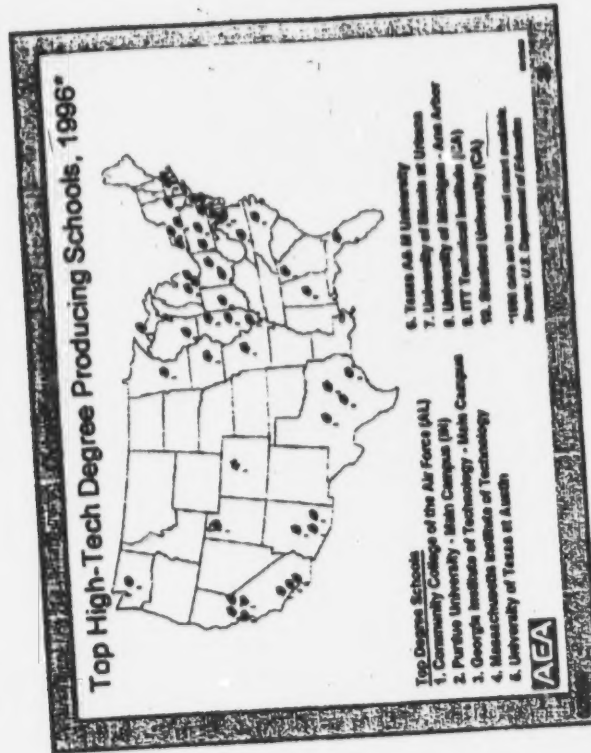
Decline in High-Tech Degrees

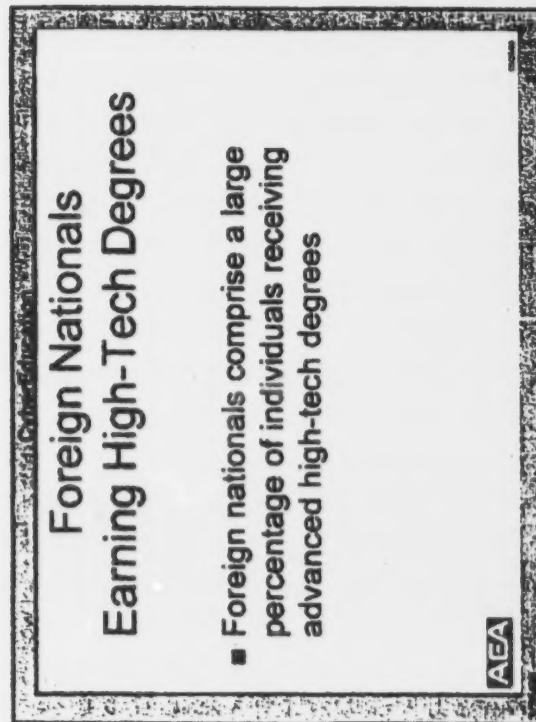
Bachelor Degrees conferred in key fields 1990 vs. 1996*

Degree	1990 Graduates	1996 Graduates	Percent Change
Engineering	50,100	45,000	-10%
Engineering Technology	17,500	15,000	-13%
Computer Science	27,300	24,100	-12%
Business Information Systems	3,400	5,200	+82%
Mathematics	15,200	13,100	-13%
Physics	4,200	3,700	-11%

*Most recent data available.
Source: U.S. Department of Education

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**STATEMENT OF RANDEL K. JOHNSON, VICE PRESIDENT,
LABOR AND EMPLOYEE BENEFITS, U.S. CHAMBER OF COM-
MERCE**

Mr. JOHNSON. Thank you, Mr. Chairman. I am going to try and get through this very quickly. We have been asked to address the importance of an available qualified workforce to American employers and shortages thereof.

Obviously this is not a new issue to this subcommittee. We all went through the H-1B visa debate together; particularly these members. Sometimes it was not pleasant, but in the end the subcommittee, the Congress, and the Administration was willing to—after a contentious debate—arrive at a solution that everybody agreed upon to address the needs of American workers and American employers.

So, I think that process did show that bipartisan solutions are possible in the immigration workforce area. There was a lot of disagreement about studies back then. Let us go back to the one study no one questions by the Bureau of Labor Statistics, November 1997.

I just want to touch on some of the conclusions of that study. The study's conclusions were summarized as follows. Total employment is projected to increase. This is from 1996 to 2006, to increase by 18.6 million jobs over the 1996 to 2006 period; rising from 132.4 million to 150.9 million.

Now, the study went on to note that the economy will continue to generate jobs for workers at all levels of education and training, although average growth is projected to be greater for skilled occupations requiring at least an Associate's degree than for occupations requiring less training.

Still, many occupations requiring less formal education or training are projected to have above average growth as well. Many slower growing occupations, some require little education and training than others having significant educational requirements, will add significant numbers of jobs primarily to their large employment bases.

Now, it is not surprising that the survey noted, particularly given Mr. Archey's presentation, that the largest fastest growing area was the computer industry. We covered all of that in the H-1B visa debate. The explosive growth of certain occupations in there; 118 percent, 109 percent, 103 percent for computer scientists, computer engineers, systems analysts is quite clear.

Lost in that debate I think was the fact that growth in terms of raw numbers of lower skilled jobs is still quite high, although again the rate of growth was less in these lower skilled jobs.

This point is demonstrated I think from two charts I have attached to the testimony which I took from the BLS statistics. So, no one is providing a smoke screen here on the data, which I think you might find interesting to look at very quickly.

[Chart]

The first one ranks the fastest growing occupations. Those tend to be those with the higher level of education and training. If you look at that chart you will see, according to the BLS qualification criteria, that nine require Bachelor's degrees. Five of those require only short-term training.

[Chart]

On the other hand, if you go to the next chart, which is number two, occupations with the largest job growth you see on that lengthy list, 17 of these only require short-term on the job training. Six of those require Bachelor's degrees.

So, you do see an odd mix of training and education. It is difficult to draw any conclusions one way or the other. I think it is not surprising that the fastest rate of growth is in those job categories and industries that demand higher levels of education and skills, but we cannot look at this whole debate and just look at those occupations that require higher education.

I do want to note that the BLS defines short-term on the job training as occupations in which workers generally can develop the skills needed for average job performance after a short demonstration of up to 1 month of on-the-job experience and instruction. Again, that was for 17 jobs in the fastest growing—

Mr. SMITH. Mr. Johnson, I am going to have to interrupt you. What I am going to ask you all to do is the Ranking Member and I am going to catch these two votes. The second vote is only a 5-minute vote. So, we expect to be back in 15 minutes. We will finish up by lunch time with this particular panel. So, could I ask you to hold the rest of your statement? We will pick that up and then go to questions when we return.

Mr. JOHNSON. Okay.

Mr. SMITH. We will stand in recess until about a 11:45 a.m.

[Recess]

Mr. SMITH. This subcommittee will reconvene.

Mr. Johnson, if you will complete your opening statement. Thank you.

Mr. JOHNSON. Thank you, Mr. Chairman.

The bottom line of my introductory comments was simply that there is growth across the board, although the fastest rate of growth is in those occupations that do require higher levels of educational achievement, generally speaking, although if you look at those charts, it is not a uniform rule.

So, that's a little bit about the demand in terms of future job growth. Let us just talk a little bit about the supply. There is not a lot of real hard data out there, frankly, with regard to where exactly there is a de-link between the supply and the shortages. But out there in the real world, Mr. Chairman, the message is clear.

Employers find problems in finding and retaining qualified workers across the board, high skilled to low skilled. This is a recurrent complaint of Chamber members. For example, at a meeting last July of over 100 Chambers, the number one issue among 8 ranked by those attended was a lack of qualified workers.

Similarly, in a survey by Price Waterhouse, which I will not go into, it is in my written testimony. Of those companies surveyed, far and away the number one issue was a lack of qualified workers. Again, that cannot be limited to simply high technology workers.

Similar conclusions, some of which you commented on, Mr. Chairman, were reached and studied by the Manufacturing Institute. I should note that in there they do talk about that knowledge workers, men and women capable of performing sophisticated technologic-related tasks have replaced line workers who perform

repetitive tasks requiring a limited skill set, yet 36 million American adults lack even high school diplomas.

However, they do go on to note that of those surveyed, in many lesser skilled jobs there is still a shortage and 45 percent of those surveyed said there was a shortage of machinists; 43 percent engineers; 35 percent craft workers; 20 percent plant managers. Now, companies are not sitting on their hands with these kinds of problems. They are investing billions of dollars in investments and training and educational efforts.

This was covered during the H-1B issue and there is some disagreement over that. I just want to note that a study by the American Council of International Personnel found that 300 members alone spent over \$350 million in support of higher education and other programs.

An October 1998 survey by Training Magazine found that companies of 100 or more spent \$60 billion on formal structured training programs. That is billion with a "b." For your information, the BLS has also done a study on this, although it is a bit dated, 1995.

Employers do not spend millions and billions of dollars for the fun of it. They are doing it because they cannot find the qualified workers they need. Now, all of this indicates that there is a shortage out there, of course. However, I should note that a good case could be made that the future will see us simply without enough workers to maintain reasonable economic growth.

Based on Census Bureau data, we estimate that from the present to the year 2026, the Nation will need approximately 20 million, a conservative estimate 20 million, more workers than are projected to be available in order to maintain a 2.5 percent growth rate, assuming productivity growth averages about 1.5 percent, as employment demand is projected to out-strip workforce growth. Of course, this is based on many variables and it is a very rough estimate.

I will now skip over some comments, some quotes I have from Carol D'Amico here, coauthor of Workforce 2020. She did note we will not only experience a quantity shortage of workers early in the next Century, but a quality shortage as well.

Now, I do want to spend just 1 minute on some practical aspects of what the Chamber is doing. We have established a Center For Workforce Preparation. We have done it because this is what our members want and are crying for.

The entire purpose of that workforce preparation center is to try and resolve the skill gaps out there that our members see. I do want to talk a little bit about what local Chambers are doing only because this puts some flesh on the bones of sometimes these dry statistical surveys.

Those are summarized in my written statement. In Lancaster, Pennsylvania, industries are experiencing acute shortages in hospitality, retail, and construction. The Lancaster Chamber has organized workforce readiness breakfasts where over 1,500 businesses are surveyed to determine their workforce needs.

The San Diego Chamber has indicated a shortage of workers in their technology field. They are working as a community intermediary to link the resources of the educational system with the needs of the business community. This effort is sponsored by us

and the National Association of Manufacturers, and it is funded through the Ford Foundation.

Richmond is seeing shortages in manufacturing and the teaching profession. We are working with them. In Vermont, the Addison Chamber of Commerce is working closely with the education community and linking its efforts with the business needs in an effort to meet the shortages of workers there.

The New Jersey State Chamber of Commerce stresses the needs of the manufacturing and utility industries. Its efforts are to identify best practices which describe ways that organizations are combining the problems associated with worker shortages across the State.

I just highlight those because, again, I know one can argue about statistics and this and that. We often do. But out there beyond the Beltway, these businesses and people that represent businesses are putting a lot of time, and effort, and education to try and bring people together to try and resolve the workforce skills shortage problem.

Again, that ranges from the higher educated to the low skilled. I hope that information has been—I know it has been rushed. I hope it has been useful. I hope the written statement will be included in the record.

[The prepared statement of Mr. Johnson follows:]

PREPARED STATEMENT OF RANDEL K. JOHNSON, VICE PRESIDENT, LABOR AND
EMPLOYEE BENEFITS, U.S. CHAMBER OF COMMERCE

Mr. Chairman and members of the Committee, good morning. I am Randel Johnson, Vice President, Labor and Employee Benefits, U.S. Chamber of Commerce. The U.S. Chamber of Commerce is a business federation representing more than three million businesses and organizations of every size, sector and region.

We have been asked to address the importance of an available, qualified workforce to American employers and shortages thereof. Obviously this is not a new issue to the members of this subcommittee as you are more than familiar with the contentious debate which led to passage of the Workforce Improvement and Protection Act (passed as part of the omnibus appropriations bill) which increased the number of available H-1B visas just last year. Fortunately, that legislation was passed on a wide bi-partisan basis with the support of the Congress and the Administration. Hearings on the shortages of high tech workers and the need for legislative relief were held in the Senate and the House—the Chamber submitting testimony at both—and there was much debate over the various studies and best legislative solutions. Fortunately, a consensus was reached and while I do not intend to rehash all that transpired surrounding that issue, it would be useful to take a quick look at the workforce and future trends.

Let's go back to the one study no one questions, by the Bureau of Labor Statistics, reviewing occupational employment projections from 1996–2006 (Silvestri, Monthly Labor Review, Nov. 1997). The study's conclusions were summarized as follows:

Total employment is projected to increase by 18.6 million jobs over the 1996–2006 period, rising from 132.4 million to 150.9 million, according to the latest projections of the Bureau of Labor Statistics (BLS). The projected 14-percent change in employment is less than the 19-percent increase attained during the previous 10-year period, 1986–96, when the economy added 21 million jobs. Consequently, growth rates among the major occupational groups will be very different from the past, resulting in a change in the structure of employment from 1996–2006. (emphasis added)

The economy will continue to generate jobs for workers at all levels of education and training, although average growth is projected to be greater for detailed occupations requiring at least an associate's degree than for occupations requiring less training. Still many occupations requiring less formal education or training are projected to have above-average growth as well. Many slower growing occupations, some requiring little education and training and others having significant educational requirements, will add significant numbers of

jobs primarily due to their large employment bases. There also will be numerous job openings due to the need to replace workers who leave the labor force or move to other occupations. (emphasis added)

It is not surprising that the survey noted that the fastest growing occupations were to be found in the computer and data processing services industry, which was expected to more than double its employment size to 2.5 million workers by 2006 (page 62.) The explosive growth of occupational categories in this industry and the immediate lack of high skilled workers to fill those jobs was covered in detail during the H-1B debate. And, when one turns again to the BLS, the data is fairly astounding, with, for example obvious growth rates of 118%, 109%, and 103% for computer scientists, computer engineers, and systems analysts, respectively. Lost in that debate, however, was the fact that growth in terms of raw numbers is also quite high in lower skilled jobs, although the rate of growth was less. This point is demonstrated from the two charts I have attached to this testimony from the 1997 BLS study, the first ranking the fastest growing jobs and the second those with the largest job growth. Note that the former generally requires a higher degree of education or training (according to the BLS) than the latter, although this is not uniformly true.¹

The important point to understand here is that, despite the (proper) attention and recent focus on the high technology area and its rapid growth, employment promises to increase in the vast majority of job categories across the board—from high skilled to low skilled. The Congressional Research Service reached a similar conclusion in an August 8, 1997 report *"The Education/Skill Distribution of Jobs: How is it Changing?"* emphasizing the continued expansion of low skilled jobs:

As defined in this report, low skilled jobs are not disappearing either in a relative or an absolute sense. Many occupations with limited educational requirements are experiencing above-average rates of job growth or substantial increases in employment levels. Consequently, jobs that typically require a high school diploma or less could continue to account for about one-half of total employment in 2005 just as they did in 1994. And, in relatively slow-growing or declining populations, many jobs are expected to become available to low-skilled job seekers because employers will need to fill vacancies created by departed employees.

With regard to existing shortages of qualified workers for individual job categories there is, frankly to my knowledge, a lack of specific statistical studies (once one ventures beyond the high tech area) on a job to job basis. Nevertheless it is clear that employers find problems in finding and retaining qualified workers across the board, high skilled to low skilled. This is a recurrent complaint of Chamber members. For example, at a meeting last July of over one-hundred state and metro chamber executives in Colorado, the lack of qualified workers ranked first on a list of 8 issues of major concern.

Similarly, in a 1998 survey by Price Waterhouse Coopers approximately 70 percent of those responding, ranked the "Lack of skilled/trained workers" as a major potential barrier to their own company's growth over the next twelve months. To put this ranking in perspective it was ranked significantly higher than other issues such as increased taxation, legislative/regulatory pressures, the lack of consumer demand, profitability/decreasing profit margins and lack of investment capital. Further, with regard to entry level workers, of those surveyed, 31 percent identified a deficiency in problem solving skills, 21 percent noted a deficiency in computer/technical skills; and 12 percent in math and reading skills.

A 1998 survey by the Manufacturing Institute found that 88 percent of those surveyed reported difficulties in finding qualified job candidates in at least one job function, from unskilled production-line positions to highly technical computer programmers; and 60 percent typically reject half of all applicants as unqualified. The study noted that "Knowledge workers—men and women capable of performing sophisticated, technology-related tasks—have replaced line workers who perform repetitive tasks requiring a limited skills set. Yet 36 million American adults lack even high school diplomas."

¹ It is perhaps not surprising that the fastest rate of growth is in those job categories and industries that demand higher levels of education and skills. Generally speaking, better trained and educated workers lead to greater productivity and thus, greater economic growth and prosperity. As Peter Drucker said in *Knowledge-Worker Productivity: The Biggest Challenge*, The most valuable asset of a 20th century company was its production equipment. The most valuable asset of a 21st century institution (whether business or non-business) will be its knowledge workers and their productivity." *California Management Review*, Vol. 41, No. 2; Winter 1999.

Needless to say, employers have responded to these problems with billions of dollars in investments to training and educational efforts. Again, this was an area covered during the hearings on the H-1B issue but it is worth noting that a study by the American Council of International Personnel found that its 300 members alone spent over \$350 million in support of higher education, internal/external career development programs and K-12 pre-collegiate education. A 1998 survey by *Training Magazine* found that companies of 100 or more employees spent \$60 billion on formal, structured training programs and these estimates do not count informal programs or companies with less than 100 employees. (See also, June 1998, BLS Monthly Labor Review, on employer training.) *Employers do not spend millions and billions of dollars for the fun of it. They are doing so because they cannot find the qualified workers they need.*

All of this indicates that employers are having a difficult time finding the qualified workers they require to produce their products. However, I should also note that a good case could be made that the future will see us simply without enough workers to maintain reasonable economic growth. Based on Census Bureau data, we estimate that from the present through the year 2026 the nation will need approximately 20 million more workers in order to maintain a 2.5 percent growth rate, assuming productivity growth would average about 1.5 percent, as employment demand is projected to outstrip workforce growth. Of course, this is based on many variables which could change, so the estimate is a very rough one.

Carol D'Amico, PhD, co-author of *Workforce 2020*, in a recent article entitled, "Got Skills? U.S. Workers Are not Prepared for the Jobs of the Future,"² summarized the situation as follows:

We will not only experience a quantity shortage of workers early in the next century but a quality shortage as well. Evidence suggests that we very likely will have a mismatch between workers' skills and the skill requirements of the available jobs.

Increasing the number of high-school graduates with appropriate reading, writing, mathematics, reasoning and computer skills would go a long way toward filling the available jobs and laying a suitable foundation on which workers could upgrade their skills once in the workforce.

The U.S. has a serious mismatch between higher education and economic needs. A Hudson Institute study by Chester E. Finn Jr. found that more college degrees were granted in home economics than in mathematics, and more in "protective services" than in all the physical sciences combined. Yet a large share of unfilled jobs today and those that are growing in the economy are in the technical fields, and we are not preparing enough people in these areas.

Furthermore, a large share of the fastest-growing occupations in the years to come will require education beyond high school but not necessarily a four-year college degree.

I would like to spend some time now outlining what the Chamber is doing in the work force development area and some of the specific problems facing our members.

Through the Center for Workforce Preparation, the Chamber's non-profit affiliate, we have taken a strong role in addressing the critical shortages in the availability of skilled and unskilled workers that business is experiencing today. The shortage of workers is creating an urgent situation for the U.S. economy because it throws into question our ability to keep growth industries on our shores, retain the talent to stay competitive in the 21st century, and generate the taxes to support our national infrastructure.

The mission of the Center for Workforce Preparation is to help ensure that U.S. workers are prepared with the knowledge, skills and attitudes to compete and succeed in the global economy of the 21st century. Three goals form the focus of the Center's activities—

- Promote and support effective local education and training initiatives in support of workforce excellence;
- Conduct and support research that will hopefully develop more effective worker training programs; and
- Initiate and document promising education and workforce preparation programs that can be replicated by chambers of commerce and small businesses at the local level.

Workforce development and education have been key priority issues for the U.S. Chamber since Tom Donohue became its President and CEO in 1997. As mentioned

²*American Outlook*, Fall 1998, pp. 36-38.

previously, these two issues are raised by chamber members consistently and overwhelmingly as the most critical issues they have to deal with today. The Center for Workforce Preparation has been restructured in the past year, with the hiring of a new Executive Director, and has taken on a more active role with respect to workforce issues. The following represent some of the current activities of the Chamber through the Center's efforts:

- Identifying and supporting programs that bring new sources of labor to "work readiness"—former welfare recipients, people with disabilities, recent retirees, and others.
- Partnering with Job Corps, the U.S. Departments of Labor and Education and others in efforts to develop worker training programs that address and meet current business needs.
- Helping the Chamber's federation of 3,000 state, local and metro chambers to effectively engage in workforce development by providing tools, models and best practices for implementation at every level.
- Informing businesses of the resources and opportunities available to them and their employees to obtain education and training.

The Center has been working closely with local chambers to make sure that the opportunities available through the Workforce Investment Act, enacted last year, will be utilized to their fullest capacity and that business will drive the program to meet its needs for skilled workers. As part of my testimony, I have provided to each member of the committee a copy of the guide we developed to assist chambers in this effort.

I would like to add a few examples of what local chambers across the country are experiencing and how they are working in their communities to address this critical issue:

In Lancaster, Pennsylvania, industries that are experiencing acute shortages include hospitality, retail and construction. The Lancaster Chamber has organized, "workforce readiness breakfasts" where over 1,500 businesses will be surveyed to determine their workforce needs. This data will be made available to schools and training centers/organizations across the commonwealth so that they can better meet the needs expressed.

The San Diego Chamber has indicated a shortage of workers in the technology field, specifically engineering and electrical manufacturing. They are working as a community intermediary to begin to link the resources of the education system with the needs of the business community. This effort is sponsored by the Center for Workforce Preparation through a joint proposal with the National Association of Manufacturers and Jobs for the Future, funded by the Ford Foundation.

The Richmond area is feeling shortages specifically in the manufacturing industries and in the teaching profession. The Chamber has just begun a workforce development initiative which draws upon the experience of business leaders to bring the community together to find solutions to its workforce problems.

In Vermont, the Addison Chamber of Commerce is working closely with the education community and linking its efforts with the business needs in an effort to meet the shortage of workers in the technology fields.

The New Jersey State Chamber of Commerce stresses the needs of the manufacturing and utility industries. Its efforts are to identify "best practices" which describe ways that organizations are combating the problems associated with worker shortages across the state.

These are just a few of the ways that chambers are working with their local communities to assist businesses in meeting their needs for a skilled workforce. What is evident from these few examples is that each community faces different kinds of shortages and is seeking ways to address these needs. Chambers can facilitate local efforts and can bring together various segments of the community to form common strategies.

I hope that the information I have prepared in this testimony helps underscore our workforce needs as we move into the 21st century. The U.S. Chamber will continue to take an active role in addressing the educational and training needs of the workforce and to work with state and local chambers, businesses and educational institutions to meet these needs.

Thank you for the privilege of participating in this morning's panel and I look forward to questions.

Fastest growing occupations, 1996-2006						
(Numbers in thousands of jobs)						
Occupation	Employment		Change		Quartile rank by 1996 median weekly earnings of full-time workers ¹	Education and training category
	1996	2006	Number	Percent		
Database administrators, computer support specialists, and all other computer scientists	212	481	249	118	1	Bachelor's degree
Computer engineers	218	451	235	109	1	Bachelor's degree
Systems analysts	506	1,025	520	103	1	Bachelor's degree
Personal and home care aides	302	374	171	86	4	Short-term on-the-job training
Physical and corrective therapy assistants and aides	84	151	66	78	4	Moderate-term on-the-job training
Home health aides	495	673	378	76	4	Short-term on-the-job training
Medical assistants	225	391	166	74	3	Moderate-term on-the-job training
Desktop publishing specialists	30	53	23	74	2	Long-term on-the-job training
Physical therapists	115	198	81	71	1	Bachelor's degree
Occupational therapy assistants and aides	16	28	11	69	3	Moderate-term on-the-job training
Paralegals	113	189	76	68	2	Associate's degree
Occupational therapists	57	95	38	66	1	Bachelor's degree
Teachers, special education	407	648	241	59	1	Bachelor's degree
Human services workers	178	278	99	56	4	Moderate-term on-the-job training
Data processing equipment repairers	80	121	42	52	2	Postsecondary vocational training
Medical records technicians	87	132	44	51	2	Associate's degree
Speech-language pathologists and audiologists	87	131	44	51	1	Master's degree
Dental hygienists	135	197	64	48	1	Associate's degree
Amusement and recreation attendants	286	426	139	48	3	Short-term on-the-job training
Physician assistants	84	93	30	47	1	Bachelor's degree
Respiratory therapists	82	119	37	46	1	Associate's degree
Adjustment clerks	401	584	183	46	3	Short-term on-the-job training
Engineering, science, and computer systems managers	343	498	155	46	1	Work experience plus bachelor's and/or higher degree
Emergency medical technicians	180	217	37	45	3	Postsecondary vocational training
Manicurists	43	62	19	45	4	Postsecondary vocational training
Bill and account collectors	209	381	172	42	3	Short-term on-the-job training
Residential counselors	180	254	74	41	1	Bachelor's degree
Instructors and coaches, sports and physical training	303	427	123	41	2	Moderate-term on-the-job training
Dental assistants	202	278	77	38	3	Moderate-term on-the-job training
Securities and financial services sales workers	283	363	100	36	1	Bachelor's degree

¹The quartile rankings are presented in the following four categories, each representing the appropriate quartile from high to low: 1 = very high, 2 = high, 3 = low, 4 = very low. The rankings were based on quartiles using one-fourth of total employment to define each quartile.

Source: Current Population Survey.

Occupations with the largest job growth, 1996-2006						
(Numbers in thousands of jobs)						
Occupation	Employment		Change		Quartile rank by 1996 median weekly earnings of full-time workers ¹	Education and training category
	1996	2006	Number	Percent		
Cashiers	3,148	3,677	530	17	4	Short-term on-the-job training
Systems analysts	506	1,025	520	103	1	Bachelor's degree
General managers and top executives	3,210	3,677	467	15	1	Work experience plus bachelor's or higher degree
Registered nurses	1,971	2,382	411	21	1	Associate's degree
Salespersons, retail	4,072	4,481	409	10	3	Short-term on-the-job training
Truck drivers light and heavy	2,719	3,123	404	15	2	Short-term on-the-job training
Home health aides	495	873	378	76	4	Short-term on-the-job training
Teacher aides and educational assistants	981	1,352	370	38	4	Short-term on-the-job training
Nursing aides, orderlies, and attendants	1,312	1,645	333	25	4	Short-term on-the-job training
Receptionists and information clerks	1,074	1,392	318	30	4	Short-term on-the-job training
Teachers, secondary school	1,406	1,718	312	22	1	Bachelor's degree
Child care workers	630	1,129	299	36	4	Short-term on-the-job training
Clerical supervisors and managers	1,369	1,630	262	19	2	Work experience in a related occupation
Database administrators, computer support specialists, and all other computer scientists	212	461	249	118	1	Bachelor's degree
Marketing and sales worker supervisors	2,318	2,562	244	11	2	Work experience in a related occupation
Maintenance repairers, general utility	1,362	1,608	246	18	2	Long-term on-the-job training
Food counter, fountain, and related workers	1,720	1,963	243	14	4	Short-term on-the-job training
Teachers, special education	407	648	241	59	1	Bachelor's degree
Computer engineers	218	461	233	109	1	Bachelor's degree
Food preparation workers	1,253	1,487	234	19	4	Short-term on-the-job training
Hand packers and packagers	966	1,206	222	23	4	Short-term on-the-job training
Guards	865	1,175	221	23	3	Short-term on-the-job training
General office clerks	3,111	3,398	215	7	3	Short-term on-the-job training
Waiters and waitresses	1,957	2,163	206	11	4	Short-term on-the-job training
Social workers	585	772	188	32	2	Bachelor's degree
Adjustment clerks	401	564	163	40	3	Short-term on-the-job training
Cooks, short order and fast food	804	978	174	22	4	Short-term on-the-job training
Personal and home care aides	202	374	171	85	4	Short-term on-the-job training
Food service and lodging managers	598	757	159	26	2	Work experience in a related occupation
Medical assistants	225	391	166	74	3	Moderate-term on-the-job training

¹ The quartile rankings are presented in the following four categories, each representing the appropriate quartile from high to low: 1 = very high, 2 = high, 3 = low, 4 = very low. The rankings were based on quartiles using one-fourth of

total employment to define each quartile.
Source: Current Population Survey.

Mr. SMITH. Thank you Mr. Johnson.

About a minute ago, you anticipated my first question. You mentioned that figure is \$60 billion that is spent on training. Again, what did that figure apply to? Was it the estimated cost to all American companies of training individuals who lacked basic skills?

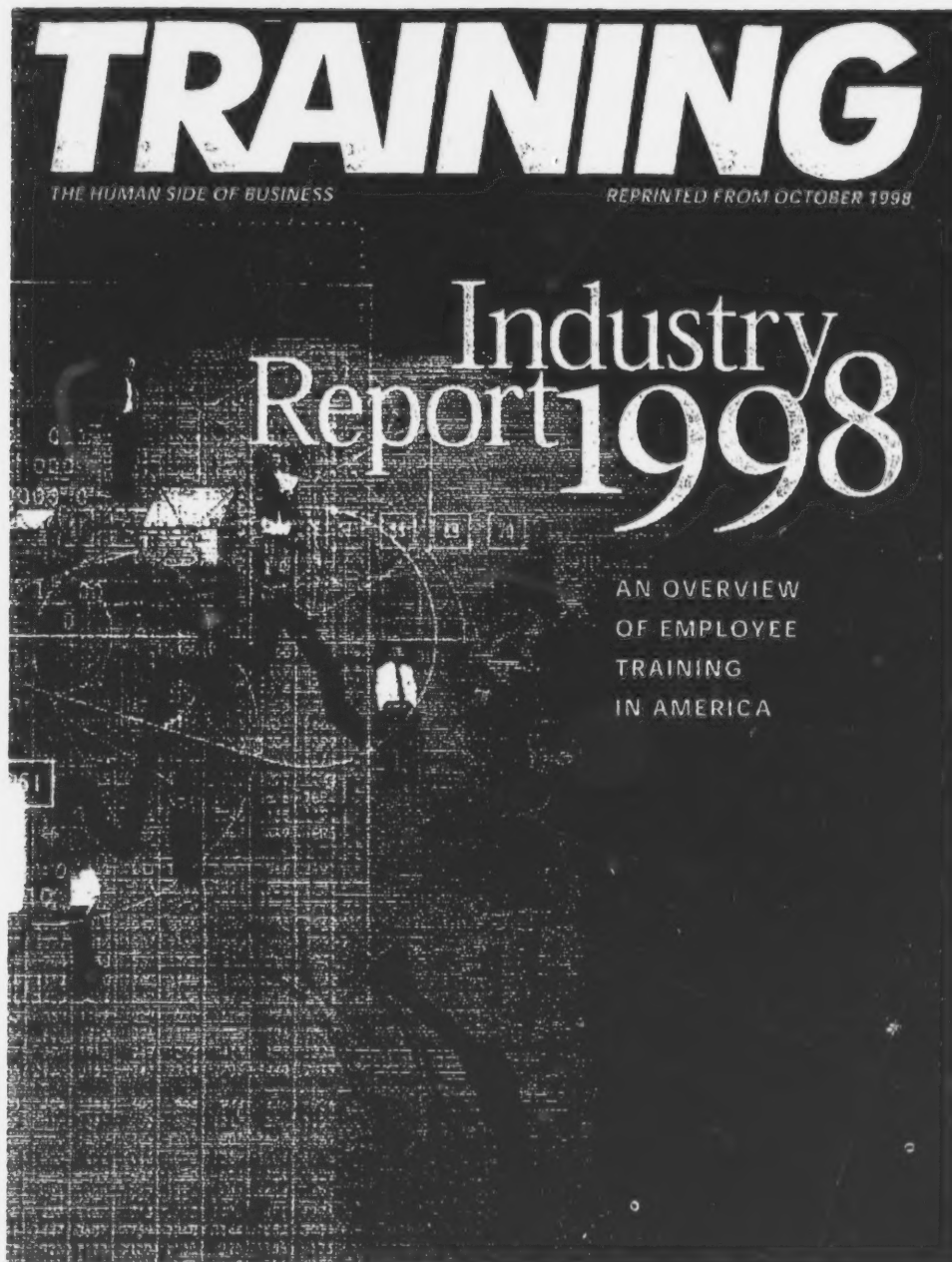
Mr. JOHNSON. The companies surveyed were 100 or more employees. It is the money they spent on formal internal training programs with their own employees.

Mr. SMITH. It was estimated to be \$60 billion.

Mr. JOHNSON. \$60 billion, and I do have that article here.

Mr. SMITH. Okay. Provide that to us, if you would and without objection we will make it a part of the record.

[The article referred to follows:]



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Welcome to TRAINING Magazine's 17th annual *Industry Report*. Each year, we gauge the state of training and development in U.S. organizations with 100 or more employees by asking the people in charge of training to fill us in on some of the pertinent details: How much their organizations spend on training employees, who they train, and how they train them.

This year's report devotes considerable attention to technology—both learning to use it and using it to learn. In today's wired enterprises, how much

of the training effort is dedicated to helping employees keep up with changing computer applications and systems? How are the Internet and corporate intranets affecting the way training is delivered to employees? The *Industry Report* supplies answers to these questions and many others.

It's important to understand that the data reported here represent only a snapshot of the training and development efforts of corporate America—and a partially obscured one at that.

Our findings encompass only formal, structured training efforts; we don't try to measure how much informal, on-

the-job training goes on day by day in every organization.

Nor do our estimates of training expenditures account for all the costs associated with employee training. We do not include what is by far the largest training expense: the salaries paid to employees while they concentrate on training instead of their jobs—whether that's for the half hour they devote to computer-based training delivered to their desktop or for the three days they spend in a workshop in Napa Valley.

Finally, we limit the scope of the *Industry Report* to organizations with 100 or more employees. We do not measure

Demographics

ORGANIZATION SIZE CLASSIFICATIONS

Number of Employees	% of TRAINING Survey Sample	% of Dun & Bradstreet's Database
100-499	20	78
500-999	19	10
1,000-2,499	15	7
2,500-9,999	20	4
10,000 or More	22	1
Total	100 (3,703) ¹	100 (138,850) ²

INDUSTRIAL CLASSIFICATIONS

Industry	Number	% of Sample
Manufacturing	841	23
Transportation/Communications/Utilities	390	11
Wholesale/Retail Trade	212	6
Finance/Insurance/Banking	330	9
Business Services	259	7
Health Services	347	9
Educational Services	662	18
Public Administration	364	10
Other	298	8
Total	3,703	100

Dun & Bradstreet's database represents the "universe" described by our *Industry Report*.

¹ Total number of usable responses to TRAINING Magazine's 1998 survey.

² Total number of U.S. organizations with 100 or more employees, according to Dun & Bradstreet.

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the training expenditures or account for the training practices of thousands of smaller U.S. organizations. Plenty of those firms provide training for their employees, of course, but we've found it too difficult to obtain reliable data from a sample of these small companies.

According to Dun & Bradstreet, the number of U.S. organizations that employ 100 or more people is currently 138,850. Those companies comprise the universe which the *Industry Report* describes, and that's the number upon which we base our projected estimates of total training expenditures and total number of people trained (see "Training Budgets," page 5, and "Who Gets Trained?" page 9).

All of the data reported here are based on a mail survey conducted earlier this year by Lakewood Research of Minneapolis, a division of the company that publishes *TRAINING Magazine*. In April, two versions of a questionnaire were sent to a random sample of 24,000 *TRAINING* subscribers and nonsubscribers. By the June cutoff date, 3,703 questionnaires had been returned, for a response rate of 15.5 percent.

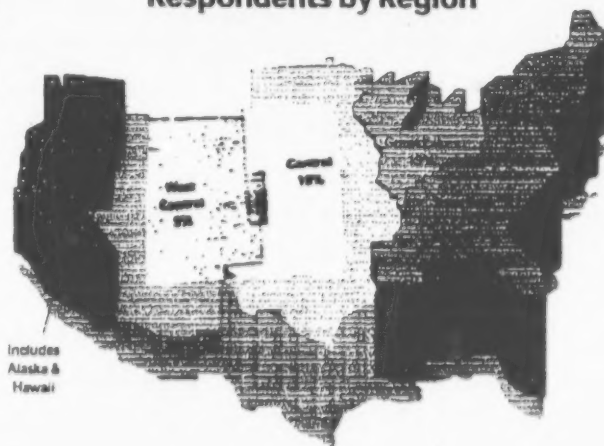
Except where otherwise indicated, all *Industry Report* findings are based on all 3,703 responses; the precision estimate for those findings is plus or minus 1.6 percent at a 95 percent confidence level. When findings are based on questions that appeared on only one version of the questionnaire, the precision estimate is plus or minus 2.3 percent. The margin of error increases whenever we split the sample to report responses for individual industries or for organizations of different sizes. ■

1998 Highlights at a Glance

- Total dollars budgeted for formal training this year by U.S. organizations: **\$60.7 billion**
- Fastest-growing slice of that budget pie: **outside expenditures**
- Total number of people who will receive some formal training from employers: **54.5 million**
- Type of worker likely to receive the most training: **salesperson**
- Of all formal training, percentage that takes place in classrooms, with live instructors: **70**
- Percentage delivered via computer in some way: **19**
- Of all formal training courses, percentage delivered by outside contractors: **31**
- Percentage designed by outside contractors: **39**
- Of all formal training courses, percentage that teach people about computers: **33**
- Percentage of computer-skills training courses that are taught by live instructors: **83**

All figures refer to formal training by U.S. organizations with 100 or more employees.

Respondents by Region



1998 Training Budgets

TOTAL OUTSIDE
EXPENDITURES
\$14.3 billion (24%)

Seminars & Conferences
\$3.9 billion (7%)

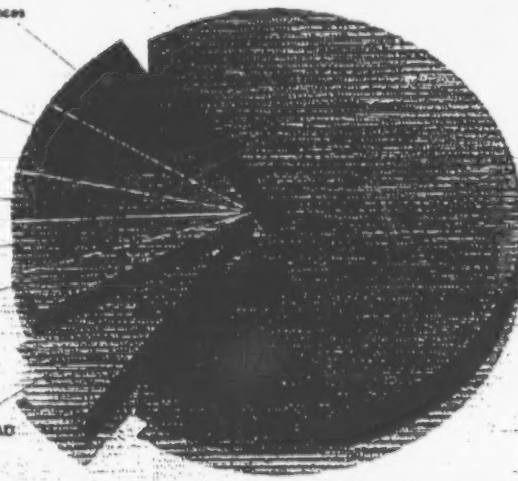
Hardware
\$3.8 billion (6%)

Off-the-Shelf
Materials
\$2.2 billion (4%)

Custom Materials
\$2.2 billion (4%)

Outside
Services
\$2.1 billion (3%)

FACILITIES/OVERHEAD
\$4.4 billion (7%)



TOTAL: \$60.7 Billion

DEFINITIONS

TRAINING STAFF SALARIES—salaries paid to internal trainers and administrative support staff in the training department.

TOTAL OUTSIDE EXPENDITURES—dollars budgeted for the following five categories:

Seminars/Conferences—training by outside providers conducted either at the respondent's location or off-site including public seminars but not trainee travel and per diem costs.

Hardware—audiovisual and video equipment, computers, teleconferencing equipment, etc.

Off-the-Shelf Materials—prepackaged in any format: books, videos, computer courseware, structured classroom packages, etc.

Custom Materials—audiovisual video, printed material, computer courseware, etc., tailored to meet respondent's needs or designed specifically for respondent's organization.

Outside Services—consultants (not acting as seminar leaders), printing, material production costs, etc.

FACILITIES/OVERHEAD—charges to the training department for buildings, classrooms or other space to be used, remodeled or built during 1998 and for utilities, administrative support from other departments, etc.

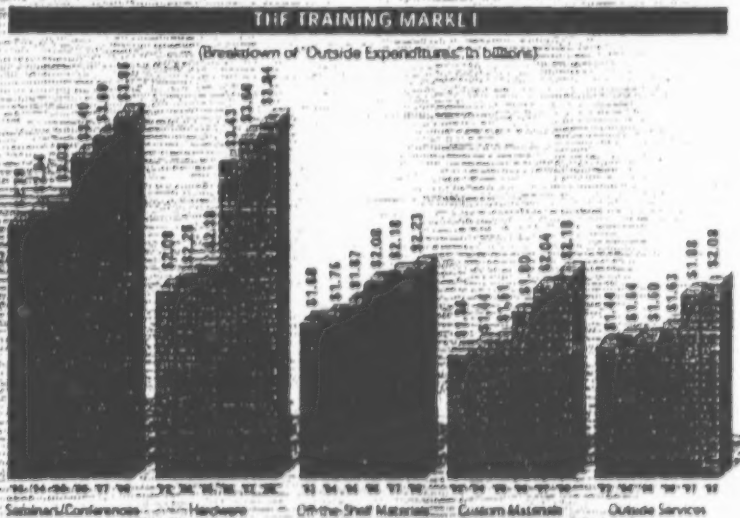
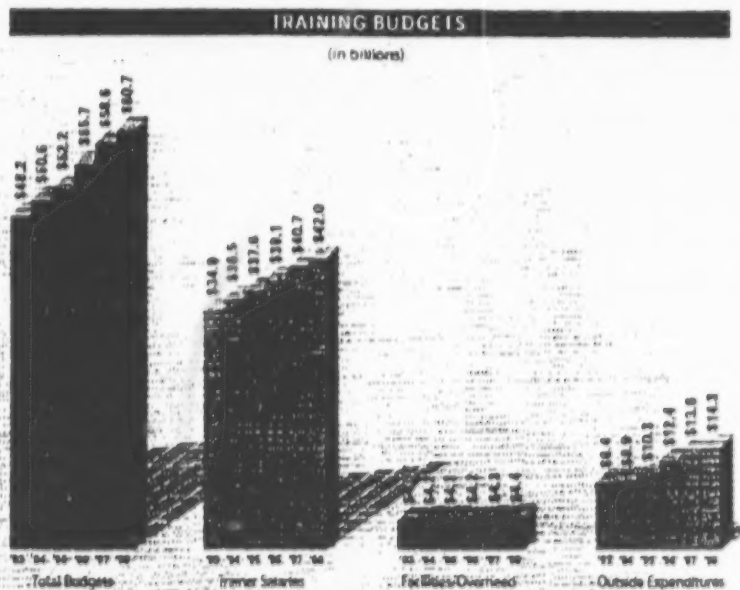
Budgeted spending on formal training by U.S. organizations with 100 or more employees tops \$60 billion in 1998.

That's a 3.6 percent rise over last year and a 26 percent increase since 1993 (neither figure accounting for mild inflation).

As always, salaries paid to internal training staff make up the bulk of the budget pie, and the salary total is up 3.2 percent over last year. The fastest-growing slice, however, is outside expenditures: The \$14.3 billion finding its way into the commercial training market this year marks a 5.1 percent increase from 1997 (see next page).

The five-year trend in budgeted training dollars shows total spending up 26 percent since 1993. Salaries paid to trainers are up 20 percent; facilities and overhead up a modest 10 percent; outside expenditures up 52 percent. That eye-opening rise in outside spending, which represents the commercial market for training goods and services, has been fueled by a whopping 84 percent hike in the hardware category—dollars budgeted for everything from slide projectors to computers to elaborate videoconferencing systems (see category definitions on previous page). The five-year spending boost on custom materials is 60 percent. The outside services category is up 44 percent; seminars and conferences up 42 percent; and off-the-shelf materials up 33 percent.

Budget Changes, 1993-1998



PROJECTED TOTALS (in millions)									
Organization Size (Number of Employees)	Seminars/ Conferences	Hardware	Off-the-Shelf Materials	Custom Materials	Outside Services	Total Outside Expenditures	Facilities/ Overhead	Trainer Salaries	Total Budget
100-499	\$2,053	\$2,304	\$ 981	\$ 902	\$ 956	\$ 7,205	\$1,514	\$ 12,340	\$21,059
500-999	416	407	240	224	242	1,529	503	3,122	5,155
1,000-2,499	466	407	344	341	272	1,830	765	5,350	7,946
2,500-9,999	691	473	411	422	385	2,361	1,020	9,991	13,373
10,000 or More	322	248	255	291	234	1,352	810	11,180	13,141
Total	\$3,948	\$1,830	\$2,231	\$2,160	\$2,076	\$14,277	\$4,412	\$41,983	\$60,674

AVERAGES PER ORGANIZATION BY SIZE (in dollars)									
Organization Size (Number of Employees)	Seminars/ Conferences	Hardware	Off-the-Shelf Materials	Custom Materials	Outside Services	Total Outside Expenditures	Facilities/ Overhead	Trainer Salaries	Total Budget
100-499	\$ 19,015	\$ 21,338	\$ 9,086	\$ 8,354	\$ 8,951	\$ 66,744	\$ 14,024	\$ 114,306	\$ 195,074
500-999	28,485	28,852	16,908	15,861	17,116	108,303	35,656	221,109	365,067
1,000-2,499	48,333	42,169	35,670	35,386	28,135	189,672	78,324	554,429	823,425
2,500-9,999	128,449	87,915	76,348	78,378	67,745	418,834	199,633	1,856,702	2,485,170
10,000 or More	154,847	142,406	148,439	166,979	134,340	774,982	349,663	6,410,533	7,535,144

AVERAGES PER ORGANIZATION BY INDUSTRY (in dollars)									
Industry	Seminars/ Conferences	Hardware	Off-the-Shelf Materials	Custom Materials	Outside Services	Total Outside Expenditures	Facilities/ Overhead	Trainer Salaries	Total Budget
Manufacturing	\$38,006	\$26,988	\$19,219	\$21,189	\$18,832	\$127,238	\$36,243	\$338,421	\$501,902
Transportation/ Communications/ Utilities	25,675	34,789	20,087	20,794	15,904	137,029	45,445	449,316	631,790
Wholesale/Retail Trade	27,380	15,197	11,927	17,976	15,843	78,284	40,393	318,620	437,297
Finance/Insurance/ Banking	38,881	25,159	22,644	17,559	15,779	115,621	32,013	294,524	442,158
Business Services	55,234	25,896	8,676	8,575	10,890	71,390	16,030	222,748	310,166
Health Services	23,558	24,780	9,596	6,954	9,138	70,036	27,123	306,915	396,074
Educational Services	27,839	55,117	27,913	20,349	20,339	151,687	47,349	254,091	453,127
Public Administration	\$7,780	\$7,626	17,305	18,125	10,471	149,352	26,126	483,551	641,085

*Total Budget = Total Outside Expenditures + Facilities/Overhead + Trainer Salaries

The top table shows how organizations in five size categories contribute to the total national training budget of \$60.7 billion. Dollars (in millions) are projected in each budget category to show total spending by all organizations in each size classification.

The bottom two tables show average expenditures (in dollars) per organization in each budget category.

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Industry Report 1998

TRAINING BUDGETS

The average organization's training budget is seven times more likely to have increased over last year than to have been cut: 35 percent vs. 5 percent. That average masks some dramatic differences among industries, to be sure. But even in public administration, where belt-tightening is most common, the margin is two to one in favor of budget increases.

Firms with more than 500 employees are a bit more likely than the smallest organizations in our sample to have cut training budgets.

Winners and Losers

REPORTED CHANGES IN 1998 BUDGETS			
Industry	% Reporting Greater than 1997	% Reporting Same as 1997	% Reporting Less than 1997
Manufacturing	37	60	3
Transportation/Communications/Utilities	35	56	6
Wholesale/Retail Trade	40	59	1
Finance/Insurance/Banking	41	48	11
Business Services	52	46	2
Health Services	28	63	9
Educational Services	27	70	2
Public Administration	27	60	13
All Industries	35	60	5

REPORTED CHANGES IN 1998 BUDGETS			
Organization Size (Number of Employees)	% Reporting Greater than 1997	% Reporting Same as 1997	% Reporting Less than 1997
100-499	34	61	5
500-999	37	55	8
1,000-2,499	35	56	9
2,500-9,999	38	52	10
10,000 or More	37	53	10
All Sizes	35	60	5

Who Gets the Training?

Job Category	Organizations Providing Training (%)	Average Number of Individuals Trained ²	Projected Total of Individuals Trained (in millions)	Average Hours of Training per Individual	Projected Total Hours of Training Delivered ³ (in millions)
Salespeople	41	50	4.2	38	161.3
Professionals	72	67	10.0	37	371.0
First-Line Supervisors	64	32	4.2	34	143.9
Middle Managers	72	24	3.6	32	114.1
Customer-Service People	49	72	7.2	30	217.5
Production Workers	33	222	16.9	30	506.0
Senior Managers	64	13	1.7	30	52.1
Executives	70	9	1.3	29	38.0
Administrative Employees	76	33	5.2	21	109.8
Total			54.5		1,713

U.S. employers will provide employees with some 1.7 billion hours of training this year. These job categories are ranked according to the average number of hours provided per individual employee. Salespeople tend to receive the most hours of training, closely followed by professionals.

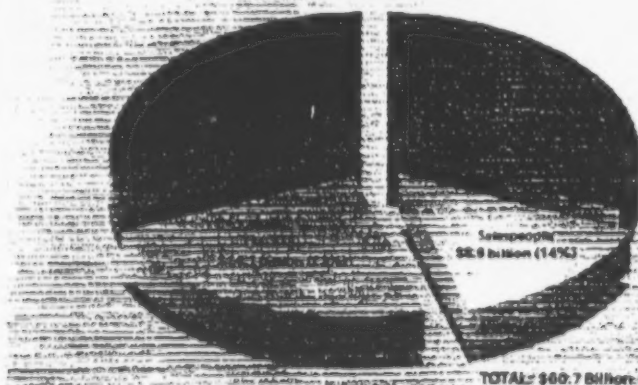
¹Percent of all U.S. organizations with 100 or more employees that provide formal training to people in these categories.

²Per organization, based only on those organizations that do provide training to these types of workers.

³One person receiving training for one hour equals one "hour of training."

How to read this table: Forty-one percent of U.S. organizations will offer some training to salespeople this year. Employers that train salespeople will train an average of 50 individuals; projected to all U.S. organizations with 100 or more employees, that means 4.2 million salespeople will receive some training in 1998—161.3 million hours of training, based on an average of 38 hours per salesperson.

Who Benefits?



As in past years, a little more than half of all training dollars flow toward programs for managers and professionals.

Industry Report 1998

WHO GETS TRAINED?

The classroom remains the workhorse of corporate education;

88 percent of respondents say they use live instructors to deliver training. Yet when respondents estimate what percentage of their organization's training courses are delivered by live instructors in the classroom, they indicate 70 percent of courses are delivered live this year, compared with 81 percent last year.

Meanwhile, respondents say they make considerable use of electronic training-delivery media—CD-ROMs, the Internet and the World Wide Web, the company's internal computer network, and other distance-learning media.

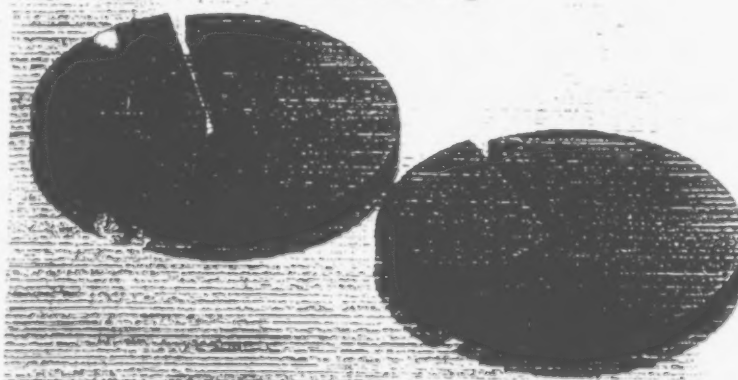
We find no evidence of a rush to outsource training services. The proportion of courses designed, developed and delivered by outside contractors (about a third) hasn't budged significantly since last year. This finding is consistent with that of a separate survey conducted by the Gallup Organization (see "The Great Outsourcing Stampede That Never Happened," TRAINING, February).

Instructional Methods and Media

	% Using
Classroom Programs—Live	58
Workbooks/Manuals	73
Videotapes	70
Public Seminars	57
Computer-based Training via CD-ROM	50
Audiocassettes	39
Noncomputerized Self-Study Programs	35
Case Studies	33
Role-Plays	33
Internet/WWW	31
Self-Assessment Instruments	23
Intranet/Organization's Internal Computer Network	21
Satellite/Broadcast TV	20
Games or Simulations (not computer-based)	19
Videoconferencing (to groups)	17
Teleconferencing (audio only)	11
Outdoor Experiential Programs	9
Computer-Based Games or Simulations	9
Desktop Videoconferencing	4
Virtual Reality Programs	2

Based on 1,878 responses

Outsourcing



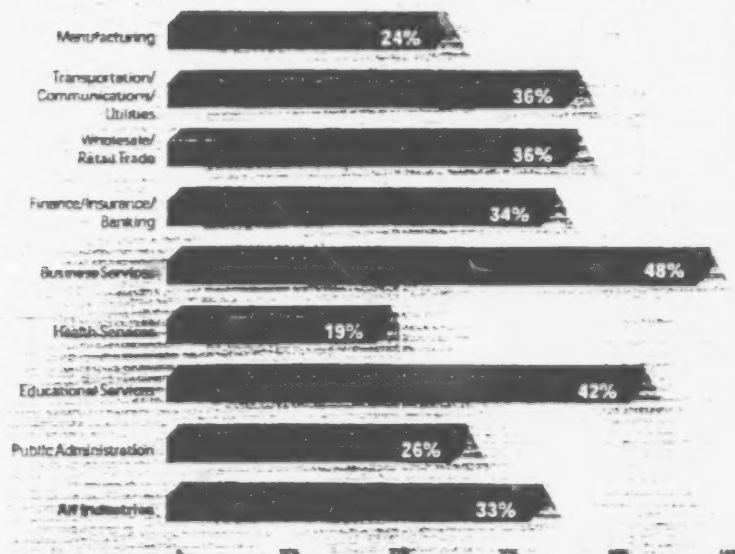
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Information-Technology Training



Computer-skills training consumes a growing portion of all formal training provided by American employers. This year, fully a third of all courses were devoted to information-technology (IT) training, defined as training for both end-users and IT professionals on computer applications and systems. That's up from 29 percent last year and 25 percent in 1996.

Percent of All Formal Training Devoted to IT Skills BY INDUSTRY



Company size seems to have little bearing on the amount of IT training delivered. Only minor variances exist between the proportion of courses devoted to computer-skills training in companies with 100-500 employees (33 percent) and those with 10,000 or more (29 percent).

Differences are more pronounced among industrial categories (Bear in mind, however, that the margin of error increases when we split our survey sample into eight pieces.)

Based on 1,875 responses.

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Something peculiar is afoot. In 1996, respondents to our *Industry Report* estimated that 17 percent of all computer-skills training in their organizations was delivered via technological means, as opposed to being instructor-led. In 1997 the figure jumped to 24 percent. This year it drops back to 17 percent.

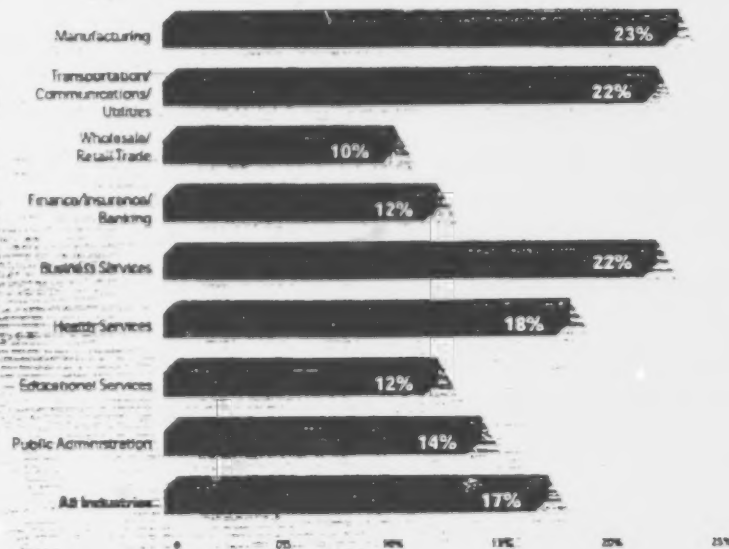
Did computer-based training (CBT) suddenly lose its charm? Probably not. We suspect our 1997 respondents may have jumped the gun by anticipating a significant shift away from the classroom and toward CBT instead of reporting a shift that already had taken place. In any event, no such mass migration away from instructor-led training appears to have occurred—at least, not since 1996.

Workers in some industries are more likely than others to get their computer-skills training via technological means.

How IT Training Is Delivered



Percent of IT Training That Is Delivered via Technology BY INDUSTRY

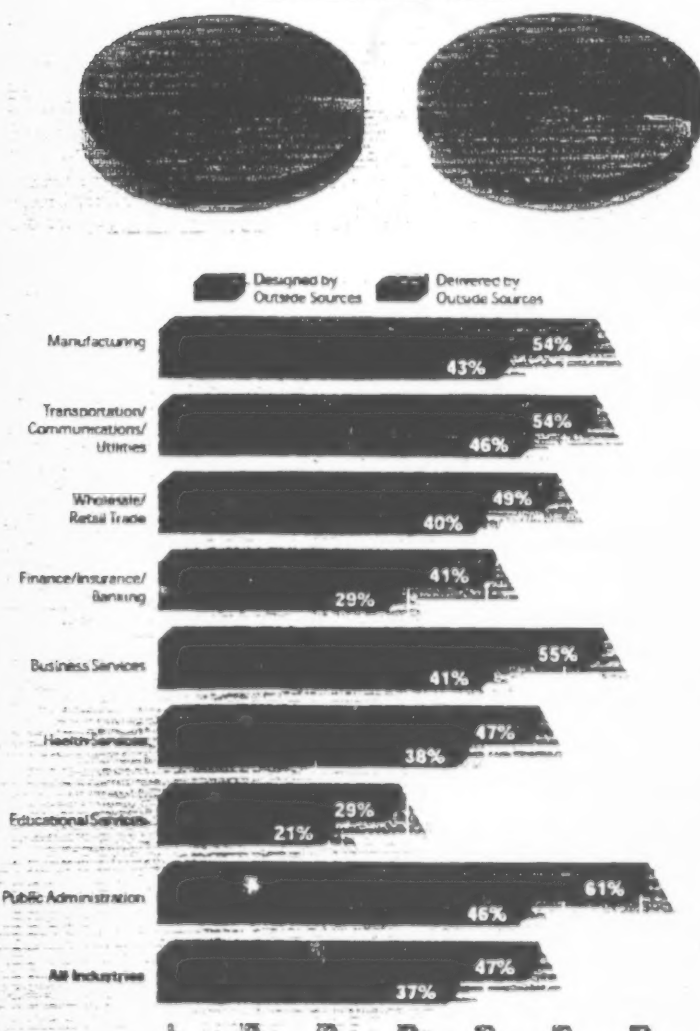


Based on 1,875 responses.

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Outsourcing of IT Training

PERCENT OF ALL IT TRAINING COURSES...



Computer-skills training is more likely than most other types of instruction to be farmed out to suppliers outside the organization. Considering all of the formal training their organizations offer, respondents estimated that 39 percent is designed and 31 percent delivered by outside suppliers (see page 10).

Asked specifically about IT-skills training, they said that 47 percent is designed and 37 percent delivered by outsiders. This finding is consistent with results of a survey on outsourcing conducted for TRAINING last year by the Gallup Organization (see "The Great Outsourcing Stampede That Never Happened," TRAINING, February).

Organizations in the educational services group rely heavily on their own staff trainers to design and deliver computer-skills training to their employees. Those in public administration are most likely to turn to outside suppliers.

Based on 1,875 responses

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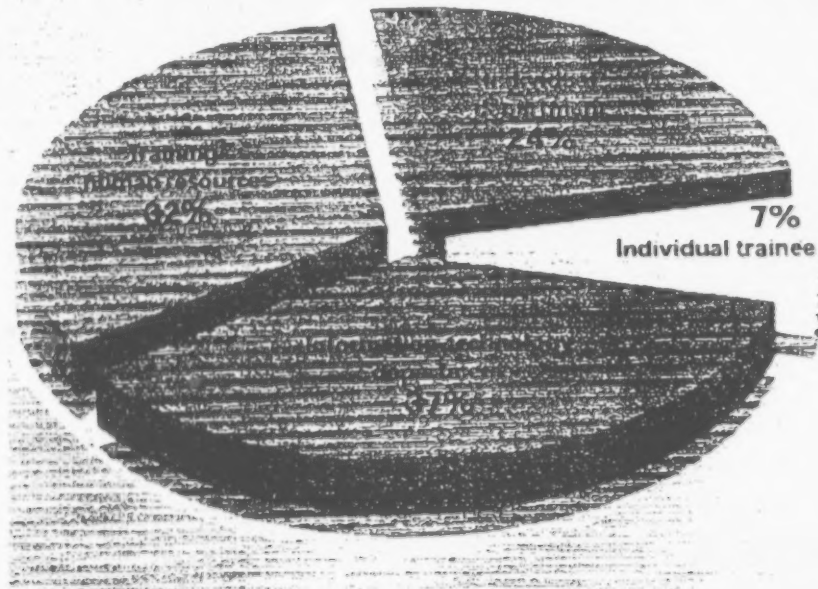
Attention IT-training vendors: Here's why you never know who your real customer is.

We asked respondents to distribute 100 points among four groups to indicate the degree of control each exercises over IT-training purchases.

Based on 1,875 responses.

Who Buys IT Training?

HOW PURCHASING POWER IS DISTRIBUTED



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Training by Computer

ALL FORMAL
TRAINING
COURSES

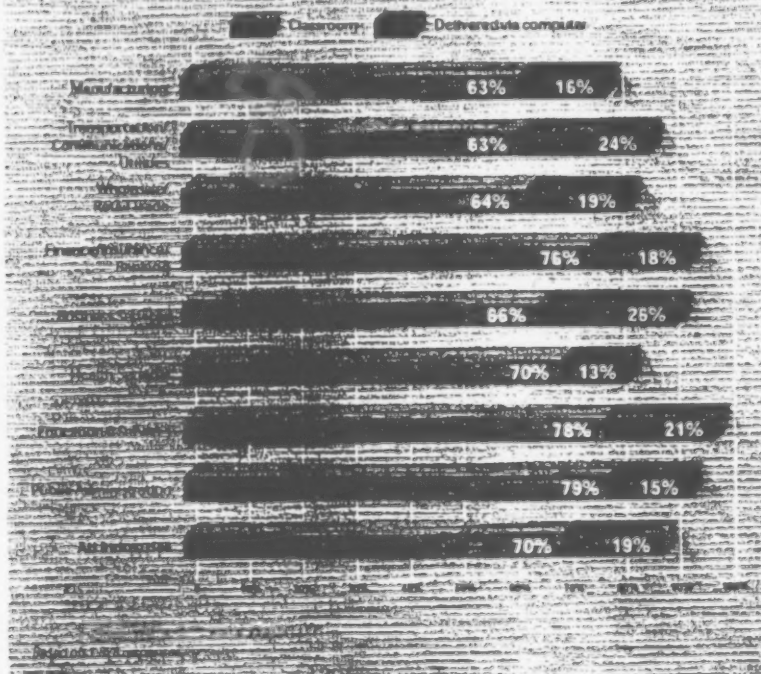
Respondents estimate that about one-fifth (19 percent) of all the formal training courses their organizations offer are now delivered "via computer in some way," whether on CD-ROM, diskettes, online via the Internet, or online via the organization's internal computer network.

Seventy percent of all courses, respondents tell us, are "classroom-based, with live instructors." That leaves 11 percent delivered by means other than computer-based training or classroom instruction: structured on-the-job training, video, satellite teleconferencing and other methods.

As the bar graph shows, respondents from some industries were much more likely than others to see "classroom or computer" as the only available options. Add the two estimates from the educational services group, and you will find they sum to 99 percent of all training the organization offers. Contrast that with responses from the manufacturing sector, which total only 79 percent of all formal training.

Percentage of Formal Training Delivered via Computer

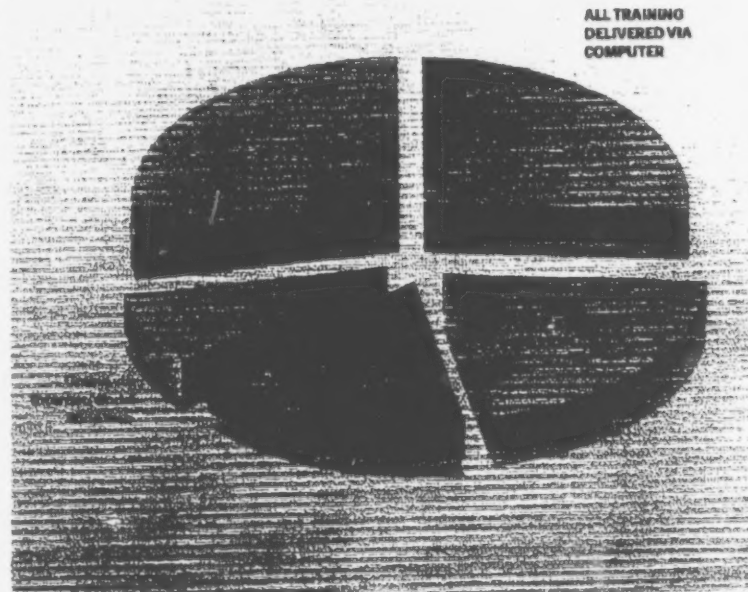
BY INDUSTRY



Of all computer-delivered training, the largest portion is made available on CD-ROM, followed closely by online training via the organization's internal computer network.

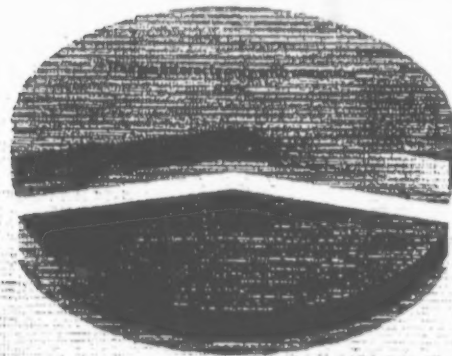
Surprisingly, respondents declared that fully one-fifth of all computer-delivered training is done by "some other means" than the four choices we offered. We expected those four to account for better than 90 percent of all training delivered via computer. The high showing for "other" may reflect confusion with terminology and uncertainty about how to classify delivery methods that rely on more than one medium. For instance, some respondents who use servers to pipe the contents of CD-ROMS over internal "intranets" may have chosen to call that "other."

How Computer-Delivered Training Breaks Down



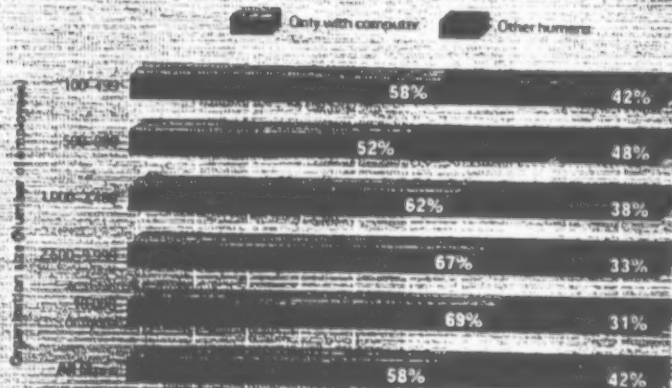
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Online Interaction



ALL TRAINING
COURSES
DELIVERED
ONLINE

BY ORGANIZATION SIZE



If you still think of "online training" strictly as computer-based training (CBT) that is piped through a wire instead of loaded into a PC via floppy disk or CD-ROM, it's time to revise your mental image. Increasingly, the computer's role in online learning is not just that of electronic tutor, but also that of a communication medium that connects people with other people.

In more than four cases out of 10, respondents estimate, courses delivered online via the Internet or internal computer networks connect students to human instructors and/or other students, either in real time or asynchronously (via e-mail, for instance).

Generally speaking, the proportion of online courses that involve human contact is highest in smaller organizations.

Based on 1,820 responses

For all the years that "computer-delivered training" was synonymous with computer-based training (in which the learner interacts only with some kind of instructional software), the most common training topic, by far, was computer skills. If someone was taking a "course" in front of a computer screen, you'd never go broke betting that the course taught a software application or something else having to do with information technology.

Online training changes that. When trainees use computers to interact not just with instructional software but also with other people, the chances rise that they are learning about something other than computers. Except in the education and business services industries, respondents estimate that less than half of the training computers now deliver is self-referential.

Based on 1,029 responses.

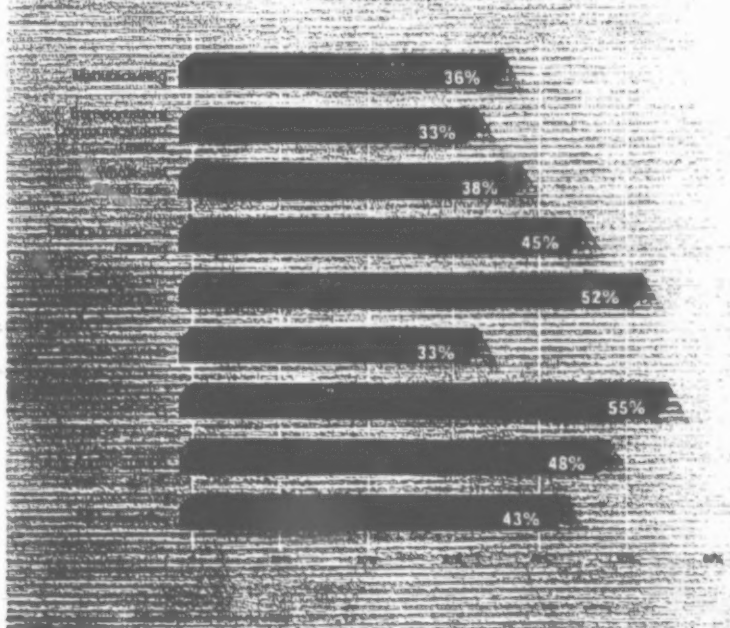
Using Computers to Teach Computing



ALL TRAINING
DELIVERED VIA
COMPUTER

Computer Courses That Teach Computer Skills

BY INDUSTRY:



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Mr. SMITH. That is the first time I have heard that astronomical figure applied to that situation. You mentioned in your testimony and then you quoted in your prepared statement Workforce 2020 saying that there is a mismatch between workers' skills and the skill requirements of the available jobs.

You have probably heard me use the figure that I have gotten from Investors Business Daily that about 90 percent, maybe it was 92 percent, but roughly 90 percent of all future jobs in America will require more than a high school education. Do you have any reason to doubt that figure or is that in accord with what you would expect?

Mr. JOHNSON. I am not familiar with the study behind the figure, Mr. Chairman. I do think it is hard to draw, not that maybe perhaps the study is 100 pages long and very well documented. It is hard to draw, to me, correlations exactly between a high school diploma and saying that qualifies you for a certain job.

Mr. SMITH. I think the reason for that study, and I know there is more to it than just education, but the five studies that have been conducted, the five major studies, the peer review that are recognized as being credible in the last 2 years, the National Academy of Sciences, the Center on Immigration Studies, Rand Corporation, Brookings, Hudsons and so forth all said that yes, skills were important, but nothing was important as the level of education. That was sort of a tell tail sign. So, that is why we are looking at that more closely than something else.

I guess you cannot obviously confirm that figure. So, maybe I just need to say that it fits in with what you quoted as saying that there was a mismatch. I think that mismatch may well be as close to that 90 percent as the Investors Business Daily says.

Mr. JOHNSON. There is a mismatch, Mr. Chairman. We are not quite sure where exactly the matches are or should be because I do not think the data is quite there.

Mr. SMITH. Again, you were saying that there is a mismatch between workers' skills and the skill requirements of the available jobs. Real quickly, you say increasing the number of high school graduates would go a long way toward filling the available jobs and laying a suitable foundation in which workers could upgrade their skills once in the workforce.

You can respond to this if you want to. A couple of points; one, if someone has a higher level of education, such as a high school education, it is going to be easier to train them presumably to get the acquired skills. The other is that I think it is important, no matter where we get them, no matter how we do it, to increase the level of education and the level of skills of our workforce today.

I think that is where the demand really is. Otherwise these companies have over 100 employees that you mentioned would not be spending \$60 billion a year on that training and on that upgrading of skills. Is that a fair statement?

Mr. JOHNSON. Mr. Chairman, the idea of high school degrees being definite proxies for future performance is actually one that is hotly debated in the EEO area and much challenged in the courts.

One of the early EEO cases struck down a high school degree requirement by an employer because they could not prove it was re-

lated to job performance. When you get in to college degrees, the courts are more differential, but that may be an area that staff wishes to look at.

Mr. SMITH. That is something that can be considered too. You know, as you heard Mr. Edwards say a few minutes ago, the real cut-off is not the high school degree, as far as the cost to the taxpayers go and the benefits to the economy. The real cut-off is actually more than a high school degree.

That is when you get into a net benefit to the economy. So, you know, your point about college degrees may be something for us to consider. As you will hear shortly and as you have already heard earlier, points given by our neighboring countries of Canada and not so neighboring country of Australia actually give more points for a college degree, for example, than a high school degree as well. You do not need to respond to that.

Mr. JOHNSON. I think most economists would say, as I checked with them yesterday, that a higher educated workforce generally is better and leads to greater productivity. But you cannot ignore in this case, and that is why I tried to emphasize in my statement about those BLS charges that there are thousands and thousands of jobs out there that BLS projects there will be job growth in.

Employers are saying they cannot fill right now. For those jobs, a high school degree may not even be relevant.

Mr. SMITH. Believe me, no matter what is done in education policy, you are never going to stop, nor should we stop, the number of people who are coming in with no skills or no education. Those people are going to be coming in irregardless. The question goes to the numbers, I think.

Mr. Archey, I am going to sneak in one question so we can finish up. Let us see, in your industry the high tech jobs you pointed to, the 100 percent increase, the 119 percent increase and so forth.

I presume that none of those individuals would have less than a high school degree. All of them are going to be college or better as far as education levels.

Mr. ARCHEY. Very few would be less than high school. I would also note in the manufacturing in which there are several of our job categories such as, for example, computer manufacturing jobs, the average salary in the United States last year was \$71,000.

Mr. SMITH. \$71,000.

Mr. ARCHEY. \$71,000. A lot of the people working in manufacturing are there with Associate degrees coming out of a community college.

Mr. SMITH. Right. Thank you Mr. Archey. The gentlewoman from Texas.

Ms. JACKSON LEE. Thank you very much, Mr. Chairman.

Let me first of all thank both Mr. Archey and Mr. Johnson, very instructive testimony as were the other panelists. Maybe we will find ways of common ground. I have just heard the chairman say that there is no way we will stop unskilled workers coming into the country.

Let us hope we can utilize them in a positive manner and be productive. Mr. Johnson, Mr. Donahue your chairman who is very well-spoken and out-spoken on some of these issues, indicated in a speech he made in Tennessee, if I might read it.

"We can only get 12 percent from the existing workforce. Where do we get the other 27 percent, almost 30 million workers? America needs to address the problem in diverse ways, including sensible immigration, hiring people with disabilities, and former Welfare recipients, and luring retirees back into the workforce." By the way, Mr. Chairman, just as an editorial comment, I was at Greenthumb Banquet last honoring older Americans. I had a constituent 88 years old who had been working now for 23 years at one job and 35 or so at another.

The oldest worker was a physician 100 years old and he played his 1694 violin. With that comment taking up my time, let me go to Mr. Archey who has spoken about the technology industry. He failed to mention Houston, Texas which I believe is going to be competing soon with Silicon Valley, we hope.

The question is with respect to your points about the lack of personnel in that area. What happens to inner city communities, Hispanic, African-American, Asian populations already here in terms of those populations being attracted to those industries. What are the companies doing to attract that population; meaning existing American citizens from those populations?

Mr. ARCHEY. Let me make a couple of points. Number one, is I hope I did not forget Texas because Texas has created the largest number of high tech jobs in the 1990's.

Ms. JACKSON LEE. Someone wants me to mention Austin, but I am from Houston.

Mr. ARCHEY. One hundred and two high tech jobs between 1990 and 1998.

Ms. JACKSON LEE. We appreciate it.

Mr. ARCHEY. So, believe me, Texas is not hurting at all for some of the higher paying jobs in the United States in this industry. The second issue is in response to the question, I think it depends on the company and where it is.

We had one member company that last year, for example, spent \$72 million on just remedial math and English for its workforce. That is not at all idiosyncratic. Other companies are not going to spend \$72 million, but they are going to spend scores of millions of dollars on dealing with the inadequacies of the workforce.

In terms of other minority groups, there are a number of companies that have Adopt a School Programs that have a number of our companies, I mean when I say a number of our companies, I am talking about scores and scores of companies who provide time off for their own employees to teach in inner city schools, to teach sometimes interestingly in rural schools, which is also a huge issue.

The whole question on the contribution of technology; in fact if you take a look at ratios of students to computers, students to Internet you will find interestingly which says you have got to be very careful about using these ratios. The best public school system in the United States in terms ratio of the least number of students per computer and the least number of students in terms with ratios of the use of the Internet is the City of Washington, D.C. Indeed, if you look at all State school systems, the worst in the United States is the State of California in terms of the ratio of students to computers.

Ms. JACKSON LEE. Can I stop you there and just follow that thought? Can we do more. I know this is not the Education in the Workforce Committee, but we are actually talking a lot of these issues frankly. Can we do more?

We are now raising the dilemma of the need of high skilled workers and criteria for immigrants. How do we answer the American people? Can we do more on this point of the African-Americans, Hispanics, women, Asians in this training?

Where would you hit us right straight in the eye about dealing with this question? I will ask Mr. Johnson just I know that we are not supporting employment-based recruitment of low skilled workers. I do not think we are doing that.

I think we are doing more family reunification. That is a different issue all together. If you would comment on what will happen if you just did not have that level of work around. Mr. Archey.

Mr. ARCHEY. Obviously, I think the emphasis has got to be K through 12. I think that there are a number of factors involved with that. The first is that how do you attract some of the brighter students coming out college to go into teaching? I think you have got to change to some degree the status system. It is not just the question of money. I mean, I think over the last 25 years what we have essentially said to people who went into teaching was, oh you could not do anything else.

I think that is changing. I think it is changing fairly rapidly that the idea of teaching young kids is in fact a calling and a very important one because there are an awful lot of parents in this country now that think teaching is a very important profession. That is one.

The second one is how do you attract kids which, by the way, the schools are doing a much better job now than they were before, to take courses like math and science.

Ms. JACKSON LEE. Right.

Mr. ARCHEY. I get this question everywhere I go in the country. Why do not more kids take math and science. My answer is because it is hard. As simplistic as that sounds, I think it is accurate. I think the third thing and we are looking at some things right now within this industry, we have got jobs that pay 77 percent higher than the average private sector wage in the United States.

Ms. JACKSON LEE. Right.

Mr. ARCHEY. Now, you would think the laws of supply and demand would begin operating and you would begin to see a tremendous diversion into those specialty areas in schools. It is not happening. There is a little bit of glimmer that it is happening, but not much; not enough to say, yes, that is really a trend.

I happen to think that one of these things we are going to have to do and we are seriously talking about this. One, it would be very nice if one of the networks or cable TV stations could have a situation comedy with geeks who like they are normal.

I am dead serious when I say that. In essence you celebrate the idea that knowing a lot about computers, math, and science is great. It is interesting, and you are not out it because you happen to know that stuff. I think that is another aspect of this.

Last but not least, I think that the whole notion from my industry, which is an extremely competitive worldwide, and that is what

can we do to introduce the notion of competition into the school system, I mean into the public school system?

That is why we do not take a position of vouchers, but we take a position on charter schools. A charter school is a great way to go because it introduces that concept of competition while maintaining the public school's preeminence.

Mr. SMITH. So do vouchers.

Mr. ARCHEY. I know. But I am just saying that we dealt with both of them and we came down on the side of the charter schools.

Ms. JACKSON LEE. Mr. Johnson, if you had a quick response to the no low skilled population workers.

Mr. JOHNSON. I would think, frankly, the employer community would be under, I want to be careful about this, I think you would have an increased problem with illegal immigration and pressures. I do not know what employers would do to fill those jobs.

Ms. JACKSON LEE. Fine enough answer.

Mr. JOHNSON. We need those workers legally.

Ms. JACKSON LEE. Thank you, sir.

Mr. SMITH. Thank you. I am going to pass on questions, but I do want to alert the third panel, in case they want to get a head start at lunch, that as soon as this panel is finished we will reconvene at 1 p.m. sharp. So, they are welcome to stay or they are welcome to go to lunch. It just may take some time.

Ms. LOFGREN. Mr. Chairman?

Mr. SMITH. The gentlewoman from California is recognized.

Ms. LOFGREN. If I may, one of our witnesses will not—I do not know if she can stay until 1 p.m. I know she has a business conflict. I saw your Cyberspace report. I am glad to see the update. I flipped through for the part I missed when I went over to the vote.

A lot what you are covering is right in my District. Actually lots of times I think if we can get it right in the 16th Congressional District, then we can get it right for the rest of the country.

We have got Cisco Systems that has phenomenal job growth; I mean just off the charts. As you know, they have just announced their new billion dollar expansion, also, in my District with 20,000 new jobs.

We also have East San Jose that I represent which is close to 50 percent Latino, another 20, 30 percent Asian, new immigrants struggling to get ahead, and students who really need to and cannot do well in school who we need to become rocket scientists or software engineers.

As I think about the immigration component of Silicon Valley which is huge in ways I cannot fully explain to my colleagues here, when you go into any high tech company, it is like walking into the U.N. only more so. It is the most phenomenal enriching experience for the whole community.

Silicon Valley, and I am saying all of Silicon Valley, from the CEOs down to people in the neighborhoods are just wallowing in diversity. People are so proud and happy that we have a diverse workforce that is, not completely, but often times the product of immigration.

Much of that immigration is not the product of employment-based immigration. I think about some of the companies, for exam-

ple Yahoo. I mean Jerry Yang is an immigrant from Taiwan, but he came over as a little kid. Actually, he grew up in East San Jose and went to public high school in the Eastside Union High School District.

Andy Grove, I mean Andy Grove at Intel, he did not immigrate through a labor certification. He came over as a refugee with no education. As we know Andy Grove is very smart. Look at the benefit that we have from what they have built.

I mean, Intel with nearly \$12 billion in annual revenues. Yahoo, although they went public after I got elected, I mean, just incredible what they have done. I do not really see the dichotomy that some draw, not that you have drawn, between family-based and labor certification, or even point system immigrants because there has been such an enrichment of my home from both.

I wonder also, and I do not know if there is a survey mechanism, but when we look at changing family-based immigration and I think it was 1995 and 1996. I remember so vividly a letter that we were provided by a Chinese immigrant who was a permanent resident.

His adult daughter who was, I think 23 at the time, was in China. He wanted her. His wife had died and he wanted her to come with him. He held like 25 patents. I mean he was a hot property. But he could not get her in.

He was going to take his patents and go home. I thought, well, that is a great result for the United States of America to have this guy take his patents and go home. So, I am wondering, Mr. Archey or Mr. Johnson, whether in your judgment, I mean you are nodding your heads that I am giving a speech and not asking question.

Whether what I am saying pretty much matches what you are hearing from CEOs. Is there a great urge in the business community to impose burdensome or additional requirements on family-based immigration? Have you seen that, Mr. Archey?

Mr. ARCHEY. We have not. Our Board and our advisory groups have not joined that issue specific. I will just tell you from just a personal perspective the point you make about Andy Grove. Mr. Grove will probably tell you or Dr. Grove will tell you pretty much about his views on these things because he came here in 1956 as a result of the Hungarian uprising, as not only a refugee but barely got out.

Ms. LOFGREN. Right.

Mr. ARCHEY. And with no formal education, except high school. I think one of the points that we made last year during the H-1B debate, and we would make again and we are trying to capture this data.

Think about the number of jobs that foreign nationals have created just because of how bright they were and the intellectual property they created. That intellectual property in turn created the number of jobs. I mean, think of the thousands of jobs that Andy Grove has created, not just at Intel, but all of the supplier organizations and all of those.

Ms. LOFGREN. They are signed with Coastland.

Mr. ARCHEY. Pardon?

Ms. LOFGREN. They signed with Coastland.

Mr. ARCHEY. Sure, sure. So, I mean, again, I think that this is why they have you all to do those things. I think those are some tough calls, very tough calls.

Ms. LOFGREN. My time is expired, Mr. Chairman.

Mr. SMITH. Thank you Ms. Lofgren.

We thank you both for being here for your testimony. We will now take a 45-minute recess.

We will reconvene at 1 p.m.

[Recess]

Mr. SMITH. The subcommittee will come to order.

I will introduce you all and then we look forward to your testimony. Mr. Kersi Shroff and Mr. Stephen Clarke, Senior Legal Specialist, Directorate of Legal Research, Western Law Division, Law Library of Congress; and Ms. Laura Reiff with the Law Firm of Baker and McKenzie.

Mr. Shroff, I guess we will begin with you.

**STATEMENT OF KERSI B. SHROFF, SENIOR LEGAL
SPECIALIST, LAW LIBRARY OF CONGRESS**

Mr. SHROFF. Thank you Chairman Smith for this opportunity to testify before this subcommittee. As a Law Library Specialist in the laws of Australia, I am pleased to submit a brief paper describing the admission of skilled immigrants into Australia. I would like to seek your permission to allow my written testimony to be made part of the record.

Mr. SMITH. Without objection, we will make it a part of the record.

Mr. SHROFF. The Coalition Government of Prime Minister John Howard which was first elected to office in March 1996 has developed a tightly focused migration program, as it is called, that places an emphasis on the entry of skilled persons while maintaining a commitment of the entry of bona fide immediate family migrants.

According to the Government, the changes were introduced in order to restore public confidence that the program makes a positive contribution to Australia's economic and social growth. In 1996 and 1997, family members comprised almost 70 percent of the total number of migrants arriving in Australia.

In the following year, the program reduced the planned intake of family migrants from over 44,000 to just over 31,000, with a corresponding increase of skilled persons from approximately 27,000 to 34,000. The Australian Minister of Immigration has stated, "We have rebalanced the immigration program to produce an outcome that is far more beneficial to Australians."

The limit on the family stream of migrants was achieved by providing for the entry of spouses and children by substantially reducing the entry of parents. According to the Minister, "Parents tend to have a greater dependency on services being offered by our aging population and find it difficult to obtain employment or contribute economically."

The migration program numbers are decided annually, usually in May or June. The planned numbers announced for 1998-1999 were 30,500 for family migrants and 35,000 for skilled migrants. Just this month, the Government released figures showing the increase

in the number of skilled migrants is expected to boost the Australian economy by more than \$2.4 billion Australian dollars by the year 2007.

The projection was made following a review of the points system used for selection, which also reinforced the benefits provided by skilled migrants and quickly contributing to Australia's economic growth. The main categories of skilled migrants are: one, independent migrants not sponsored by an employer or a relative who are selected on the basis of their education, skills, work experience, and likelihood of contributing to the economy. This forms the largest contingent of skilled migrants. Included in this category are computer professionals, accountants, and ten other major skilled occupations.

Secondly, employer nominated migrants who are allowed in for specific skilled positions that cannot be filled by domestic labor. This category also includes a regional sponsored migration scheme allowing employers in regional or low growth areas to fill skilled permanent vacancies.

Thirdly, business skilled migrants who are allowed to enter permanently in Australia and develop new business opportunities. Finally, "Skilled Australia Linked" migrants sponsored by a relative living in Australia who are selected for their skills, age, language ability, and family relationship.

An ongoing Government survey of business skilled migrants also shows the major benefits of the program. Seventy-five percent had engaged in a business within 24 months after arrival. The percentage increased to 84 percent at 36 months.

Each new business employed an average of 5.4 staff. Eighteen percent of the businesses had an annual turn over of \$1 million Australian dollars or more. The average funds transferred to Australia by the business migrants were \$540,000 Australian dollars at 24 months, and \$764,000 Australian dollars at 36 months. The average financial investment in business was \$630,000 Australian dollars.

This concludes my presentation. Now, I will be happy to answer any questions. Thank you.

[The prepared statement of Mr. Shroff follows:]

PREPARED STATEMENT OF KERSI B. SHROFF, SENIOR LEGAL SPECIALIST, LAW
LIBRARY OF CONGRESS

AUSTRALIA: ADMISSION OF SKILLED IMMIGRANTS

The coalition government of Prime Minister Howard, which first took office in March 1996, has developed a "tightly focused" Migration Program that places an emphasis on the entry of skilled persons, while maintaining a commitment to the entry of bona fide immediate family migrants. The changes were introduced in order to restore public confidence that the Program makes a positive contribution to Australia's economic and social growth.

In 1996-97, family members comprised almost 70 percent of the total number of migrants arriving in Australia. In 1997-98 the Migration Program reduced the planned intake of family members from 44,580 to 31,310, with a corresponding increase of skilled persons from 27,550 to 34,670. Overall, there was a drop of nearly 10 percent in the number of migrants. The Australian Minister for Immigration stated: "We have rebalanced the immigration program to produce an outcome that is far more beneficial to Australians. The limit on the family stream of migrants was achieved by providing for the entry of spouses and children only while substantially reducing the entry of parents. According to the Minister, "[P]arents tend to have a greater dependency on services being used by our ageing population and find

it difficult to obtain employment or contribute economically." The Migration Program numbers are decided annually, usually in May or June; the planned numbers announced for 1998-99 were 30,500 (family) and 35,000 (skilled).

In March 1999, the Government released figures showing that the increase in the number of skilled migrants is expected to boost the Australian economy by more than A\$2.4 billion by 2007. The projection was made following a review of the point system used for selection which also reinforced the benefits provided by skilled migrants in quickly contributing to Australia's economic growth.

The main categories of skilled migrants are:

- Independent migrants, not sponsored by an employer or relative, who are selected on the basis of their education, skills, work experience and the likelihood of contributing to the economy. This forms the largest contingent of skilled migrants. Included in this category are computer professionals, accountants, and ten other major skilled occupations.
- Employer nominated migrants, who are allowed in for specific skilled positions that cannot be filled by domestic labor. This category also includes the regional Sponsored Migration Scheme allowing employers in regional or low-growth areas to fill skilled permanent vacancies.
- Business skills migrants, who are allowed to settle permanently in Australia and develop new business opportunities.
- Skilled Australia-linked migrants, sponsored by a relative living in Australia, who are selected for their skills, age, language ability, and family relationship.

A survey of business skilled migrants also shows the major benefits of the program: 75 percent had engaged in a business within 24 months after arrival and the percentage increased to 84 percent at 36 months; each new business employed an average of 5.4 staff; 18 percent of the businesses had an annual turnover of A\$1 million or more; average funds transferred to Australia by business migrants were A\$540,000 at 24 months and A\$764,000 at 36 months; and, average financial investment in business was A\$630,000. In 1997-98, 5,300 business migration visas were issued.

Mr. SMITH. Thank you Mr. Shroff. I assume that an Australian dollar is not far off from an American dollar by the way.

Mr. SHROFF. It is cheaper than the U.S. dollar. One Australian dollar is worth approximately 63 U.S. cents.

Mr. SMITH. Okay; thank you. Mr. Clarke.

STATEMENT OF STEPHEN F. CLARKE, SENIOR LEGAL SPECIALIST, LAW LIBRARY OF CONGRESS

Mr. CLARKE. Thank you, Mr. Chairman. I would like to thank you and Congresswoman Jackson Lee for the invitation to address this subcommittee. As the Canadian Law Specialist in the Law Library my topic is the admission of skilled workers to Canada for permanent residents. I would also like to request permission to enter this short statement I have prepared into the record.

Mr. SMITH. Without objection, we will make it a part of the record.

Mr. CLARKE. Thank you. Canada does not have immigration quotas. I know that issue came a little earlier this morning. There are no worldwide hemispheric or country limits. Instead, the way the Canadian system operates is that the Government prepares an annual immigration plan that is presented to the House of Commons.

This plan sets out projections for the coming year broken down into several different categories. For example, the 1999 plan anticipates the admission of between 200,000 and 225,000 immigrants and refugees. That is the grand total for admission to a country that has a population of around 30 million people.

The expected breakdown is as follows. I am going to round these figures off to the nearest thousand. For skilled workers and their dependents, between 100,000 and 111,000. That is about half of the grand total to come in as skilled workers or dependents of skilled workers.

For business immigrants and their dependents, and these are people usually who are bringing in large sums of money, the estimates are between 18,000 and 20,000. So, that is approximately another 10 percent.

For spouses, children under 19, parents, and grandparents the estimate is between 54,000 and 58,000. What that means is that the family class under the fairly narrow Canadian definition amounts to about $\frac{1}{4}$ of the total immigration to the country.

For refugees, the estimates are between 22,000 and 29,000. That is a little over 10 percent. Now, these figures I have given are not fixed. They can be exceeded by the Department. However, they are very close to the final admissions figures of recent years. They are not likely to vary in fact by more than 10 percent.

Persons applying to immigrate to Canada, skilled workers are assessed on a point system. Again, I know that has been mentioned this morning. Different numbers of points can be accumulated in ten different categories. The more general categories are education, age, knowledge of French or English, personal suitability, and areas of intended settlement.

The later relates to the fact that in recent years a large percentage of immigrants have settled in the three largest cities of Toronto, Montreal, and Vancouver. The Government would like to see a wider distribution of incoming immigrants.

In more specific skill categories that applicants are assessed upon are experience, vocational preparation, self-employment prospects, arranged employment, and occupational demand. Occupational demand is determined by reference to a general or designated occupations list which is based on labor market surveys.

There are close to 200 categories covering over 2,000 occupations. Different classes get different numbers of points. A score on this factor is usually required for admission as an independent or a skilled worker. In practice, a score for arranged employment is also usually necessary.

In most cases, the offer, the job offer, must be for, one, that no Canadian citizen or permanent resident is ready, willing, and able to fill. That determination is made by the Department of Labor. Quebec has a separate system for selecting independent immigrants under a special Federal Provincial Accord.

The system is not that different from the Federal System. Most skilled workers need 70 points to qualify for an immigrant visa. However, assisted relatives can qualify for an immigrant visa with 65 points. Children 19 and above, brothers and sisters, nieces and nephews, grandchildren, aunts and uncles can all qualify as assisted relatives.

Canada's Minister of Citizenship and Immigration recently announced plans to amend the Immigration Law. The major change here with respect to skilled workers would eliminate the occupations list in favor of a system that is designed to attract immigrants with broad transferrable skills.

The Department believes that such persons can make greater long-term contributions to the Canadian economy than person with very specific, but more limited skills. Recent reports have indicated that many professionals have been having difficulty finding employment in their chosen fields.

It does not appear that there are any major changes planned respecting the current balance between family class, skill, business, and refugee immigrants. That concludes my presentation. I would be glad to try to answer any questions you might have.

[The prepared statement of Mr. Clarke follows:]

PREPARED STATEMENT OF STEPHEN F. CLARKE, SENIOR LEGAL SPECIALIST, LAW
LIBRARY OF CONGRESS

CANADA: ADMISSION OF SKILLED IMMIGRANTS

Canada's Department of Citizenship and Immigration does not operate under a formal quota system. Instead, officials implement an annual immigration plan that is laid before the House of Commons. That plan sets out projections for the number of persons who will be admitted to the country for permanent residence in the coming year in several different categories. For example, the 1999 plan anticipates the admission of between 200,000 and 225,000 immigrants and refugees. The breakdown is expected to be as follows:

Skilled workers and dependents	100,200-111,200
Business immigrants and dependents	17,700-19,700
Spouses, children under 19, parents and grandparents	53,500-58,300
Refugees	22,100-29,300

Since these projections are not absolute limits, they can be exceeded. However, the 1999 plan reflects recent experiences, and actual admissions in any one category are not likely to vary by more than 10 percent.

Skilled workers are assessed on a point system. Applicants can accumulate points in 10 categories: 1) education, 2) experience, 3) specific vocational preparation, 4) age, 5) knowledge of French or English, 6) personal suitability, 7) self-employment prospects, 8) area of proposed settlement, 9) arranged employment, and 10) occupational demand. Occupational demand is determined by reference to a General or Designated Occupations list based on labor market surveys. A score on this factor is usually required by law. In practice, a score for arranged employment is also usually necessary. In most cases, the offer must be for a job that no Canadian citizen or permanent resident is ready, willing, and able to fill.

The number of points required by most skilled workers is 70. However, "assisted relatives" can qualify for an immigrant visa with a total of 65 points. Children 19 and above, brothers and sisters, nieces and nephews, grandchildren, and aunts and uncles can all qualify as assisted relatives. The immigration law also provides for sponsorship of more distant relatives by Canadians who do not have any relatives who fit into the specified categories.

The Minister of Citizenship and Immigration recently announced plans to amend the current immigration law. One of the major changes contemplated with respect to skilled workers would eliminate the designated occupations list in favor of a system designed to attract immigrants with broad transferable skills. The Department believes that such persons can, in the long run, make greater contributions to the Canadian economy than persons possessing specific, but more limited, skills. Recent reports indicate that many individuals admitted as professionals have encountered difficulty in obtaining employment in their chosen fields.

It appears that no major changes respecting current targets for skilled, business, family, and refugee immigrants are planned.

Mr. SMITH. Thank you Mr. Clarke. Ms. Reiff.

STATEMENT OF LAURA REIFF, ESQUIRE, PARTNER, BAKER
AND MCKENZIE

Ms. REIFF. Good afternoon, Mr. Chairman. I would like to thank you and Ranking Minority Member, Congresswoman Sheila Jack-

son Lee, and committee members for asking me to come before you today and testify.

I am Laura Reiff, I am a Partner at Baker and McKenzie. I specialize in Immigration Law and part of a global labor and employment group which spans the globe. I am here today in my capacity as Immigration Counsel to the Ingersol-Rand Company; a Fortune 200 company.

I have been their Counsel since November 1992. My legal work for Ingersol-Rand consists of a broad range of immigration and immigration-related issues. My testimony today reflects my work not only with Ingersol-Rand, but with many other companies whose ability to find vitally needed workers is really crucial to their bottom line and our country's economic well-being.

The message I have come to deliver is that employers today need the skills and the vitality from both the family and employment-based immigration streams. Both of these streams are really central to our employers' ability to find the qualified workers they need. I want to put this message in a broad context before focusing on some more specific stories.

My years as an Immigration Attorney helping businesses find needed workers tell me that the following data from studies that have already been cited, some of them today, really project current reality and our future needs.

From the National Bureau of Economic Research, a report that was done on the changing skill of new immigrants to the United States, they report that the skill level of immigrants are really on the rise. I am just going to synopsise these because I realize time is limited.

From the White House Council of Economic Advisors 1999 Economic Report, there is evidence that since 1993 the strong labor market has really reduced unemployment rates sharply for workers with all education levels.

In fact, there is an increase in the employment rate. The greatest increase in the employment rate has been for workers without a high school diploma. That increase has been about 9 percent, so says the White House Council of Economic Advisors.

The Congressional Research Service Report 1997, reports that employers need workers at all skill levels and demands of the service producing economy will continue to require workers with what we label both high and low skills. That is my experience as well.

Employers in all industries at all levels are looking for workers from home health care providers, to hospital service providers, to hospitality industry, to your higher skilled workers in the high tech fields. Certain industries, such as hospitality, are really finding it difficult now to have their manpower needs met.

What is clear today is anywhere you go, especially within a 5 mile radius of this place, there are help wanted signs up at all skill levels. The above is underscored by the experience of Ingersol-Rand, a Fortune 200 company, that employs about 48,000 direct employees worldwide, and about 28,000 of those are domestic employees.

Ingersol-Rand is based in New Jersey, but it has large facilities in Texas and in California. It operates manufacturing plants in 21 countries. It is an American company that is proud of its American

roots and it strives to keep the majority of its manufacturing operations within the United States.

Unfortunately, market forces and the unavailability of U.S. workers has created a problem of identifying and retaining U.S. workers across the spectrum of skills. Let me give you an example, a Texas example.

The company manufactures a broad line of drilling devices, rotary drilling machineries and industrial mining equipment. This is a facility based in Garland, Texas. It has annual sales of over \$150 million. This group has been looking for welders for major projects for some time.

Welders, professionally, do not rise to the level of the H-1B category. They are semi-skilled employees who are not professional. The company has recruited for these welding positions across the United States. They have gone to shipyards.

They have gone to former military installations. They even have a training school where they offer to pay the person to come and actually train with them. They have been unable to identify persons who can do this. When they were able to identify workers in Mexico, the process of obtaining even temporary permits to get them in was so onerous that they could not do that.

Situations like this drive major projects for companies like Ingersol-Rand overseas, which limits the spin-off work that comes to other Americans and U.S. workers, as well as the economic benefit of having those projects in this country.

I think this country can use more skilled immigrants. There is no doubt about it. I also think that you can use a lot of workers from all different skill levels. As we have said in the past, we have introduced Sarian Bouma from Sierre Leone, a woman who did come with almost no skills to this country, and has really created jobs that also have a spin-off benefit for Welfare To Work people, as well as homeless people and other immigrants.

Remembering her own struggles, Ms. Bouma's staff, again, includes over 165 people who were former Welfare recipients. So, this is the evidence of immigrants who have really come in and helped our economy.

Mr. SMITH. If you want to introduce her.

Ms. REIFF. I would. I would like to. Thank you, Mr. Chairman. This is Sarian Bouma from Sierre Leone.

Ms. BOUMA. Thank you.

Ms. REIFF. Sarian is President and CEO of Capitol Hill Building Maintenance.

Mr. SMITH. With 200 employees.

Ms. BOUMA. That is correct.

Ms. REIFF. Right.

Mr. SMITH. Good for you. We appreciate your being here and you are setting an example for so many of us too.

Ms. BOUMA. Thanks, Mr. Chairman. It almost impossible to invite me anyplace without throwing in a sentence or two. Laura has told me. So, if I could ask your permission and the committee's permission just to make a quote from the Washington Post. I did promise Laura it would be less than 5 seconds.

Mr. SMITH. Why do you not take her seat just for a minute or shift over the microphone. You are welcomed.

Ms. REIFF. Thank you very much. I appreciate your indulgence.

Ms. BOUMA. Thank you very much for your tolerance. Thank you. It is just a quote from the Washington Post. I was there, too, in the Metro Section, but it is the Diversity in the Work Place.

"As people seek to walk together across the barriers of language, culture, gender, and economic class, education and religious differences, female managers supervise men who came from countries where women's activities are restricted.

High school dropouts instruct former college professors. Immigrants who speak only Spanish walk along side those who speak only Vietnamese. Bosnians walk along side the Serbs. Along with the invisible conflicts, many managers and workers interviewed described how the new diversity also yields occasion of laughter, which I just created, learning and creativity among people of all different walks. Please tolerate all of us coming to the United States."

Thank you.

Mr. SMITH. Thank you for your participation today too and for reading that quote.

Ms. REIFF. I appreciate your indulgence and I realize that I have exceeded my time limit. So, I will conclude right now.

Mr. SMITH. I thought we had concluded, but you are welcome to conclude again.

Ms. REIFF. Okay. Both family and business immigration are essential to helping ensure this Nation continues as an economic mecca. Since we have such a difficult time bringing in unskilled workers under the employment-based categories, many times the family-based immigration is the way that we end up with the lesser skilled employees which are in high demand now.

Mr. SMITH. Ms. Reiff. I am going to give you a chance to keep going in the question and answer period, if I may.

Ms. REIFF. Okay.

[The prepared statement of Ms. Reiff follows:]

PREPARED STATEMENT OF LAURA REIFF, ESQUIRE, PARTNER, BAKER AND MCKENZIE

Mr. Chairman and members of the Committee, good morning. Thank you for the opportunity to testify today before the Immigration Subcommittee of the House Judiciary Committee on the subject of immigration and the skill needs of American employers. I am Laura Reiff, a partner at the law firm of Baker & McKenzie, where I specialize in immigration law. I am here today in my capacity as Immigration Counsel for Ingersoll-Rand—a position I have held since November of 1992. My legal work for Ingersoll-Rand consists of a broad range of immigration and immigration related issues.

My testimony today reflects my work with, not only Ingersoll-Rand, but many other companies whose ability to find vitally needed workers is crucial to their bottom line and our country's economic well-being. I also have brought with me today Sarian Bouma, an immigrant whom I will introduce shortly, whose life story reinforces the positive impact of immigration on both the workforce and our economic well-being. The message I came to deliver here is that employers today need the skills and vitality that comes from both family and employment-based immigration. Both streams of immigration are central to employers' ability to find the workers they need.

I want to put this message into a broad context before focusing on the specific stories I am here to tell. While I am not an economist or labor market specialist, my years as an immigration attorney helping businesses find needed workers tell me that the following data from recent studies reflect current reality and project future needs.

- The skill levels of immigrants are on the rise: A recent study conducted by the National Bureau of Economic Research (NBER) found that the average skill levels of legal immigrants (in all immigration categories) from 1972–1995 are rising when compared to the native born U.S. population. In addition, the labor market skills of male legal immigrants are as high or higher on average than that of native-born workers. Unlike earlier studies, this data using annual INS records of all new, legal immigrants is more reliable than previous studies that depended on census data that did not distinguish between legal and illegal immigrants. (NBER, *The Changing Skill of New Immigrants to the United States: Recent Trends and Their Determinants*.)
- Since 1993, the strong labor market has reduced unemployment rates sharply for workers with all levels of education: Unemployment rates in this country are at record low levels. What is less obvious is that the increase in the employment rate has been greater for workers without a high school diploma (a 9% increase) than it has for workers with more education, people with a high school diploma (a 2.5% increase) and those with a college degree (a 1% increase). The economy has been creating sufficient numbers of low-skilled jobs to employ more people without a high school education and keep employed those already in the labor force. (White House Council of Economic Advisors' 1999 Economic Report of the President, February, 1999.)
- Employers' need workers at all skill levels, and the demands of a service-producing economy will continue to require workers with what we label both high and low skill levels. A 1997 Congressional Research Service (CRS) report to Congress notes that the skill distribution of employment in 2005 will mirror the skill distribution in 1994: about 50% of jobs will require post-secondary education, and the other 50% a high school diploma or less. This report also documents that many occupations with limited educational requirements are experiencing "above average rates of job growth or substantial increases in employment levels." (Congressional Research Service, "The Educational Skill Distribution of Jobs: How Is it Changing?" 1997).

Employers in all industries and Human Resource Organizations I work with continually tell me that they have on-going needs for technicians, clerks, cashiers, sales workers, home health aides, child care workers—jobs where much skill may be required and acquired through training, but little formal education. And certain industries, hospitality and the service sector, are finding it particularly difficult now to have their manpower needs met. What is clear today is that help wanted signs are everywhere!

The above is underscored by the experience of Ingersoll-Rand, a Fortune 200 company with about 48,000 direct employees worldwide, and about 28,000 domestic employees. Its international headquarters are based in New Jersey and the company in 1998 had annual sales in excess of \$8 billion. The Ingersoll-Rand Company operates manufacturing plants in over 21 countries around the world and markets its products and services, along with its subsidiaries, through a broad network of distributors, dealers and independent sales and service/repair organizations.

Ingersoll-Rand is an American company that strives to keep the majority of its manufacturing operation within the U.S. borders. Unfortunately, market forces and the unavailability of U.S. workers have created a problem of identifying and retaining U.S. workers across the spectrum of skill levels. Let me give you an example. The company manufactures a broad line of industrial machinery and equipment. The Construction & Mining Group ("C&M") based in Garland, Texas, is engaged in the design manufacture, and sale of rotary drill products with industrial, mining, and water well drilling applications. The division has annual sales in excess of \$150 million. This Group has been looking for welders for major projects for some time. Welders are semi-skilled employees that are not considered professionals. The company has recruited for welding positions across the U.S. They have recruited at military installations, shipyards and through employment services. Ingersoll-Rand even has a training school for welders and has been unable to identify persons to attend this type of training. When the company did identify welders in Mexico, the process of obtaining permanent residence or even temporary visas was too time consuming and onerous to be considered a viable option.

Situations like this drive projects overseas, resulting in a loss of U.S. jobs and a decrease in U.S. spin-off revenue. This situation exemplifies not only the need for workers across the spectrum of skill levels, but the problems in employment-based immigration that need to be fixed.

Data regarding the projected workforce needs, along with my work with numerous U.S. employers, reflects the fact that both family and employment-based immigration are necessary to help this nation meet its current and future demands for work-

ers. This need is, and must not be viewed as, a zero sum game. We need the skills and qualifications of immigrants who come here through both employment and family based immigration. Employers repeatedly tell me that they need workers across the entire skill spectrum. Can this country use more immigrants with high skills? Sure we can. But we also need immigrants for entry level and lower-skilled jobs. Immigrants admitted through the family visa system satisfy this skill spectrum demand. While we justify their admission on the basis of kinship, these immigrants contribute to our economic well-being.

To exemplify this contribution I want to pause now and introduce Sarian Bouma, an immigrant from Sierra Leone who received her green card through her marriage to an American citizen. She arrived here poor, and now is the founder, President and CEO of Capitol Hill Building Maintenance Company, Inc, a company with current annual sales of \$1.8 million. Ms. Bouma's company has over 200 employees. Remembering her own earlier struggles, Ms Bouma's staff includes 165 people who were welfare recipients and/or homeless. She encourages them to continue their education and accommodates their changing schedules. They are graduating from college, buying their own homes, and becoming stable, contributing members of their communities. Nominated by an employee, Ms. Bouma was the recipient of the 1998 Welfare to Work Entrepreneur of the Year award from the National Political Congress of Black Women, named the Small Business Administration's 1998 Entrepreneur of the Year at both the state and national levels, and recently was appointed by Maryland's Governor Glendening as a cabinet member of Maryland's Economic Development Commission.

Sarian's story reinforces what we long have known and held true: that immigrants admitted through the family visa system contribute to our economy. While we support and justify their admission on the basis of kinship, these immigrants also contribute to this country's economic well-being. Immigrants admitted through the family immigration possess skills and gain meaningful employment that contributes to the economy.

Changes that are needed in immigration to increase the number of skill-based immigrants can and should be accomplished by reforms that have nothing to do with family-based immigration. These reforms all have to do with employment sponsored immigration programs and would allow the use of many more of the 140,000 business immigration visas now authorized under the law. (This past fiscal year only 99,000 slots were used.) Such reforms include eliminating the per-country limitations on employment based categories and eliminating the long delays and backlogs in the current employment-based system. Specifically per-country limits restrict employment-based immigration, the goal of which is to allow individuals with needed skills into this country, because of the accident of the country of birth of the individual. The current backlogs in processing at the Department of Labor and the INS also further restrict the use of the full number of employment-based visas allowed, simply because the agencies cannot process the number of applications they receive in a reasonable amount of time. Time frames of 3 to 6 years for an employment-based visas simply are unrealistic in the current fast paced business climate. The point here is that changes are needed to the existing employment-based immigration system that could bring in workers with needed skills. It is unnecessary, and even harmful, to look to the family based immigration system to do this.

So we do not need to, nor should we support, changes in family-based immigration to achieve the goal of increasing the number of skilled immigrants. We can do that without implementing any changes in family-based immigration by reforming the aspects of employment-based immigration noted above. Employers currently need and will continue to need workers of all skills levels, a demand that family-based immigration helps to fill. At the same time, we must not forget that the main goal of family-based immigration is to reunify close family members through an orderly process that is highly regulated and highly selective. While the needs of U.S. employers are important, they should not be viewed in conflict with, nor supersede, that important goal. Those eligible for admission through their family relationships, spouses, children, parents and siblings, now often are forced to wait in backlogs from five years for spouses and minor children of permanent residents to more than twenty years for siblings of U.S. citizens. We need to address these backlogs, not implement reforms that derail family immigration. Attaching new restrictions on family-sponsored immigration, such as mandating a high school diploma as Chairman Smith has suggested in the past, violates our tradition of family reunification, changes the rules in the middle of the game, and actually may do more harm than good in fulfilling this country's labor market needs.

Both family and business-based immigration are central to helping to ensure that this nation continues as the economic mecca of the world. Immigrants from both flows have been central to our country's economic success. My experience and those

of the many companies I represent that seek immigrants at all skill levels to fulfill labor needs, along with the hundreds of thousands of success stories of immigrants nationwide, as represented here today by Sarian Bouma, underscore the demand, not to further restrict family-based immigration, but to strongly support family-based immigration and to reform aspects of business-based immigration that artificially limit the numbers allowed in annually.

Thank you for allowing me to testify. I look forward to any questions you may have.

Mr. SMITH. Thank you for your presentation.

Mr. Shroff, and I know I am going to have time to ask everybody questions, but let me direct a couple of questions to both of you all, Mr. Shroff and Mr. Clarke. On the way there, say to Mr. Clarke, that you made the point that $\frac{1}{4}$ or roughly 25 percent of the immigrants going to Canada were family.

I might point out that 25 percent versus 82 percent in the United States. You both taught me something today that I did not realize. I did not know Canada had ten different categories on which to base points. I thought it was something like five.

Maybe that is something for us to take a look at. We will have to see as we go on. The questions for both of you all real quickly will be, what is the point, what is the reason for giving these particular preferences? I guess related to that is how specifically, in your opinion, do these preferences in the words of Mr. Shroff, boost the economy?

Mr. SHROFF. Well, I have not been able to see the results that show that the economy is going to be boosted by \$2.4 million. Presumably, it is in the region of creating jobs, the number of jobs that they create, and the downstream effect off those positions.

Mr. SMITH. Create more jobs and contribute more to the economy is the simple answer.

Mr. SHROFF. That is right. Okay. Mr. Clarke.

Mr. CLARKE. Canada has moved to greatly expand its immigration, both for economic and cultural reasons. I think they thought there was—cultural benefits in having diversity.

In that connection, I might mention that the top ten source countries for this year of skilled workers are China, Pakistan, India, Taiwan, Iran, Hong Kong, South Korea, France, Russia, and the Philippines.

So, it is a pretty diverse group. It is not, say, completely European dominated. I think that Canada felt also that their experience was that they were having success with immigration skilled workers.

Mr. SMITH. Okay. Thank you, Mr. Clarke. Ms. Reiff, just a clarification; I notice that you mentioned in your prepared remarks and I think you actually mentioned it in your verbal testimony as well that, you said a recent study conducted by the National Bureau of Economic Research, which I think is this.

I am not sure that is technically the case. I think the study was actually conducted by three professors. On the inside of the cover is this disclaimer. "This paper has not undergone the review accorded official NBER publications. In particular, it has not been submitted for approval by the Board of Directors." So, I think that is an important distinction to make. It was not a study by the NBER. It was a study by three individuals.

I am not aware that it has been submitted for peer review. I am also told that the methodology involved asking immigrants what their occupation was back in their home country and then automatically assumed that they would make their current prevailing wage in that same stated category here in the United States which requires a certain leap of faith.

One, that individuals always tell the truth about their occupation. Two, that they are going to make as much here as the prevailing wage in those particular occupations. I point that out because I think it needs to be put in context.

Ms. REIFF. If you will permit me, I will amend the comments. You are accurate about that.

Mr. SMITH. I am sure it was not an intentional thing.

Ms. REIFF. No, it certainly was not.

Mr. SMITH. Thank you. A couple of points that you made that I do agree with and that is that I think we need all kinds of workers in America. Clearly, we need skilled and we need more skilled, but we also need unskilled as well.

I do not know of anyone who is saying that we either could or should stop all unskilled immigration. I think what a lot of these studies, and you have heard me mention them today earlier, have said is that we need to reduce the number of unskilled and increase the number of skilled because that is the demand of the current 1990's, 2000 economy is that most jobs are going to require more than a high school education, for example.

As we saw, the greatest leap is in high tech jobs. Those are jobs that are not necessarily going to be filled by people who have less than a high school education. I do not know if you agree or disagree with that.

I am simply saying that we need both kinds, but we need more of the latter, more of the skilled and educated people wherever they come from, whether it is from immigration, or whether it from training and educating people who live in this country, or whatever.

The other point you made, and yes, employment rates have gone up in all categories. The unemployment rate for those without a high school education is still twice the overall level. It is about 8 percent versus the overall unemployment rate.

I assume that, that bothers you. The fact that yes, people have improved, but they are still not where they ought to be. Would you agree with that? I believe my time is up.

Ms. REIFF. Well, I do agree with that. Actually, I—your time is up.

Mr. SMITH. Well, I will tell you what. I am going to come back and give myself 5 more minutes.

Ms. REIFF. Okay.

Mr. SMITH. So, you can be thinking about your answer on that. I will go to the gentlewoman from California, Ms. Lofgren.

Ms. LOFGREN. Thank you very much, Mr. Chairman.

I was interested to read about the Canadian and Australian system. I am somewhat familiar with it. I am more familiar, oddly enough, with the New Zealand system that has some similarities.

As I look at these systems, I think about how each country is responding to different situations within their own country, both cul-

tural and economic. I know that in Australia, there was a large debate about the ethnic components of Australian society and how, you know, it really was a racial discussion on immigration which we thankfully have not had in this country, and I hope we will not have in this country.

I also am mindful that in New Zealand, I remember when I looked at it a couple of years ago, they would give a bonus for individuals who would bring \$500,000 and invest it outside of Augland. You could invest less if were going to Augland and get a visa. It was just based on how much money you were going to bring in.

Actually, there are more sheep than people in New Zealand even today. So, they are looking really to populate a country. That is really not a major goal that we have. I am also aware that our economy is leaving Australians and Canadians in the dust.

So, whatever we are doing, it must be somewhat right because we have got the greatest economic growth and the greatest economy in the entire world right now. It is interesting, but not necessarily powerful that they do it differently. Maybe they should look at what we are doing.

I was interested, and I just wanted—maybe this is unfair to ask you to do this without warning you. As we talk about employment-based immigration and, Ms. Reiff, you made the point that employment-based immigration is not an adversary of family-based immigration, or of refugees coming in, but is also a goal.

I am wondering if you could comment on deficiencies, if you see them, in our current system of labor certifications and the H-1B process that was in place in the proposed regulations that the Department of Labor has published for the new H-1B extensions. Do you think they are good, medium, bad, need to improve and how?

Ms. REIFF. Well, I am happy to comment on the labor certification process and the H-1B process. I commend the chairman on advocating the raise of the caps. As we all know, the cap on the H-1Bs will probably be hit in the next 6 to 8 weeks.

So, we are going to be back where we were last May, except we are under the threat of interim final regulations that will be coming up from the Department of Labor very soon, which do go, I think you mentioned before, well-beyond I think the intent of the statute.

Ms. LOFGREN. That is just my view. Do you agree?

Ms. REIFF. The organizations that I have worked with and I am on the Workforce Committee of the Northern Virginia Technology Council is very concerned about the attestation requirements and the over-burdensome requirements that are going to be in that statute.

In addition to the fact that the H-1B cap will be met again. So, I think you may see a lawsuit claiming that the regulations are ultra virus and we may have to come back to Congress to have a fix if it is not taken care of in the court systems.

The H-1B visa is not meeting the current needs. High skilled positions are on the rise. It is incredible. In the Northern Virginia corridor alone we have 5,000 programming positions that are open and unfilled. That does not mention the 20,000 other positions that are opened and unfilled within a 5-mile radius of this point.

H-1B is a small step. I do not think it is an adequate step to deal with those needs. On the permanent side, as you have heard, and you know from your constituents calling you in California, labor certifications through the regular process, the test of the labor market to protect our U.S. workers is not working.

Our regular labor certification could take 7 to 10 years in California. That is well-past the time that somebody could be here as a non-immigrant. On the reduction in recruitment process, when the computers are working in California, you are looking at maybe a year, year and a half for a labor certification, if you are lucky.

They deem not to be a shortage occupation as my friend and peer, Ms. Burdette, mentioned earlier today. The onerous requirements of the Labor Certification Program really needs to be re-evaluated.

Ms. LOFGREN. Can I ask you one quick question on that point and I will get to you when my time is not up, but there are professions that are deemed to be, per se, a shortage. That used to be—it has been a long time since I practiced Immigration Law.

It used to be pretty easy to get people qualified in those broad categories. I do not know that those broad categories are attracting the attention of the Labor Department to be expanded into the real world anymore. I am really not sure why that is.

Ms. REIFF. They are pre-certified positions that do not need to go through the official labor certification process. The Department of Labor, I do not think—

Ms. LOFGREN. They do not have JAVA programmers on that pre-certified list now.

Ms. REIFF. They do not have SAP programmers. They do not have RF Test Engineers. They do not have Telecommunications Engineers. They do not have a lot of occupations that are going unfilled in this country. That, I think again, has to do with funding at the Department of Labor.

It also may have to do with a problem of placement. Perhaps the program should not be with the Department of Labor and it needs to be reevaluated. So, there are major problems. In terms of the lesser skilled or workers that are less than professional skilled, it is an uphill battle.

Ms. LOFGREN. Thank you.

Mr. SMITH. If you want to ask another question, this probably is going to be the end of our—I have a couple more questions, but then we will be finished, if you want to go on.

Ms. LOFGREN. All right. I would like to explore further the whole bureaucratic scheme in terms of certifying employment-based immigrants or non-immigrants for that matter. To take a year and a half or 2 or 3 years to get a labor certification for somebody in computer science is insane.

I mean, you have companies come and go; billion dollar companies will be transformed in the time frame that the labor certification is being processed. The cycle of the bureaucracy is not matching the business cycle in high tech.

The question is how to align those cycles, the bureaucratic cycle, with the business cycle in a way that meets the legitimate goals of the program which is to make sure that the people who are getting visas in fact are meeting our economic needs?

Right now, we are not doing that because of the bureaucratic red tape. I mean, how would you streamline it? Would you just throw it out? Would you do a bit of pre-certification.

Do you think it is just the attitude in the Department of Labor? Would it be better in the Department of Commerce or the Immigration Service? What are your thoughts on that?

Ms. REIFF. I am of the opinion that this process should not be housed in the Department of Labor. I think it should be elsewhere; perhaps in the Department of Commerce. That is my own personal opinion, based on the economy now.

In order to adequately test our labor market, I think that the labor certification process can be revamped and streamlined. I know that the Department of Labor is looking at ways of doing that. I think it is economically-driven for them because they do not have the personnel to deal with the number of cases they have. Perhaps an attestation process similar to the labor condition attestation.

Ms. LOFGREN. Although, the labor condition attestation in California can take 6 to 10 months.

Ms. REIFF. I just found out the VAC system that was installed there has now broken down. So, that is true. If they can automate and get themselves into the high tech world, perhaps we can get some results through this new process.

It is an exploratory process right now at the Department of Labor. Anything that will relieve Silicon Valley and Northern Virginia of the other serious backlogs, New York, Chicago, Atlanta, it would be welcomed.

Ms. LOFGREN. Finally, the point system that is in use in some other parts of the country, I do not personally believe that our country will move to the point where we are going to require the wives of U.S. citizens to meet some kind of educational, you know, standard in order to rejoin their husbands and children.

Just looking to the employment base, not the whole family refugee issue, do you believe that a point system only for employment-based as opposed to an LCA or a labor certification would be a sensible thing or would it really miss the boat in terms of, you know, the job unfilled needs that we are trying to address?

Ms. REIFF. It has been at least 3 years since I have reviewed the point system that was kind of devised and discussed here. I think that there are some merits to it. I know that my Canadian counterpart in our Toronto Office is very attuned to the point system. I think the Canadian system, personally, has some racist undertones to it.

Ms. LOFGREN. I think that is also true of the Australian system too.

Ms. REIFF. Yes. I have not looked at the Australian system. I know that the Canadian system has some questionable parts to it that could be challenge in court and I think they would be. I would be open to exploring any system that works better than what we have now for skill-based immigrants.

Ms. LOFGREN. I appreciate that. As I have to go at 2 p.m., I will yield back my time and thank the chairman for letting me go on.

Mr. SMITH. Thank you Ms. Lofgren. Ms. Reiff, I am going to roll all of my questions into one. Let me start off where I left off a minute ago and give you a chance to respond to that.

I had mentioned, I said, were you not bothered by the fact that the unemployment rate for those without a high school education is twice the national rate; 8 percent versus 4 percent. The employment rate for those without a high school education is only 40 percent; by far the lowest of any group. You have also got the troubling situation in South Texas where if you looked at all 44 border counties, I believe I am not exaggerating, but I think the unemployment rate among Hispanics there is something between 20 and 30 percent unemployment rate.

So, I guess my question to you is do you not think that at least part of the unemployment or the low employment rate, whichever you want to look at, is due to competition with low skilled or immigrants or immigrants who do not have a high school education? I am not saying all, but do you not think at least a part is?

Ms. REIFF. Well, I think from my experience with the Northern Virginia Tech Council and the need to train U.S. workers is an obvious across the United States. Training of U.S. workers is important to everybody. The problem is finding the U.S. workers to train and getting the right programs to them.

Mr. SMITH. I am going to press you a little bit on my questions.

Ms. REIFF. I know.

Mr. SMITH. I am sure you are getting around to answering it. If you would; do you not think part of that high unemployment rate, part of the low employment rate and, as you know, I mentioned today several times all of these studies that have said that there is a direct connection between those and the competition with so many unskilled immigrants. Do you not think that, that is at least partially the case?

Ms. REIFF. If what you are telling me about Texas is accurate, which I have no reason to doubt, I do not know that for a fact that there is such a low or a high unemployment rate among Hispanics on the Border States. I can see I do not know if they are legal or illegal. I am not sure.

If those facts are true, yes, I imagine that there would be some competition. Nationally speaking, with the low unemployment rate nationally, I do not see that there is any competition. In fact, there are so many jobs to be filled in even the low skilled service industries that you cannot even find the people.

Mr. SMITH. Could it be that a part of the reason that those jobs are not filled is because either people are not paying enough or individuals are not applying for those jobs who might be available?

Ms. REIFF. Well, a lot of the jobs are not jobs that U.S. workers want to take. For instance, the Eastern Shore.

Mr. SMITH. I have heard that regularly. This Administration's own Department of Labor says in those categories of jobs where it is alleged that so-called American workers will not take, that $\frac{2}{3}$ of the people working those jobs are in fact American workers. So, they will take the jobs. Roughly, $\frac{1}{3}$ are not. So, it is not that Americans will not take the jobs. It is, as I say, perhaps the jobs need to pay more or perhaps we need to match the people with the jobs or the people need to move.

Ms. REIFF. The problem is we do not have Americans to take some of those jobs. I mean, we just do not have the pool of workers. The workers that we do have, the pools of workers that we are trying to attract, we are going out to the inner cities, to the rural areas to find them.

Mr. SMITH. You are talking about the unskilled jobs; right?

Ms. REIFF. Unskilled and—we are trying to train them for more high tech positions.

Mr. SMITH. I mentioned in my opening statement that if you add up all of the folks coming off of Welfare, all of the folks coming into the country without a high school education, and high school drop-outs, that exceeds or equals the increase in the number of jobs that are being created for those kinds of unskilled positions. So, the people are there. There are different reasons why people do not work or choose not to work.

Ms. REIFF. Or unable to work.

Mr. SMITH. Or not able to work. Maybe it has to do with either being disabled or perhaps with a Welfare system, you do not know. I think my point is that this Administration's own Department of Labor has corrected me and say do not say they will not take those jobs because $\frac{2}{3}$ of the jobs are filled by American workers.

I am afraid I have to go. Let me thank all three of you all for being witnesses here today. I am going to show a great deal of trust in my Ranking Member here and recognize her for questions, after which we will be adjourned, if that is all right.

Ms. JACKSON LEE. [Presiding] Mr. Chairman, I thank you for that. I will finish my questions and adjourn. I thank the chairman for this hearing. I think it has been very instructive to both of us.

Let me, Mr. Clarke and Mr. Shroff, I read your materials. I apologize that I was meeting with Bishop Tutu on some larger international issues. I apologize for not hearing your oral testimony.

What I understand your presentation to be is just a case study, if I might, highlighting the different ways that other countries do their immigration. Is that my understanding? The gist of it was presenting sort of case studies for us to look at?

Mr. SHROFF. I looked at it from the point of view of the changes that were introduced recently in Australia in trying to tilt the balance toward skilled migrants.

Ms. JACKSON LEE. Right. to Mr. Clarke and to you, are you here promoting those particular systems as—you are not the promoter of these systems or the advocates of these systems. That is what I am trying to understand.

Mr. CLARKE. That is correct, Congresswoman. We tried to do reports on the situation, the immigration situation, in our countries without any type of assessment of any merit to the programs.

Ms. JACKSON LEE. That is helpful to me. The reason is because I noticed both Canada and Australia, even though reputable models obviously are smaller countries than the United States, both, and I do not want to misspeak, I think geographically and in population.

You are the experts in terms of—am I accurate that both geographically in size and in population they are both smaller?

Mr. SHROFF. Certainly, in terms of population Australia has a population base of about 18 million.

Ms. JACKSON LEE. And it is a big country. I realize that. I was hesitant to make that point that they are more scarcely populated. Let us put it that way.

Mr. SHROFF. That is right.

Ms. JACKSON LEE. I would also argue or make the point that the engine of this economy, maybe we are in good times right now, is certainly, meaning America's economy right now, certainly does not seem that it has been daunted or hampered by the fact that one, we are larger. Two, our immigration population is either up or higher than theirs. Is that just a factual question, if we take right now space and time? Would you simply say that this economy here is strong in America?

Mr. CLARKE. Much stronger. Unemployment is much lower in the United States.

Ms. JACKSON LEE. You did Canada?

Mr. CLARKE. I did Canada, yes.

Ms. JACKSON LEE. Is our unemployment lower?

Mr. CLARKE. It is much higher in Canada.

Ms. JACKSON LEE. It is higher than Canada's.

Mr. CLARKE. No. Canada's is higher than the United States.

Ms. JACKSON LEE. That is what I thought I heard you say. Australia?

Mr. SHROFF. The same thing for Australia.

Ms. JACKSON LEE. All right. Let me just carry forward, and I appreciate it because I am going to be further studying your analysis and just see. I do not know if you were in the room when we were talking about the Department of Labor problems in terms of employers who needed to get people in quickly.

So, some of these issues are very vital to us. I do want to get to Ms. Reiff on some issues. I think the gentleman who is here will certainly attest to the fact that I have asked the chairman—you are not from Texas, but Ms. Burdette is.

I have asked the chairman, I think it will be very helpful for us to have hearings at the border or in those areas for several reasons. For questions of border security, but also to determine what is happening there. I would beg to differ, in his absence, and it will be noted in the record, because I think one of the things I have heard from my colleagues who represent South Texas, is the lack of investment in jobs period or industry, which may lead to the high unemployment.

That takes me to a question of concern. In your work, do you see the replacement of American workers? We are lead to be, I mean that is why I am here. I want a good immigration policy, a fair immigration policy, but we are lead to believe that there is this enormous replacement, particularly in populations like citizen Hispanic-Americans, if you will, which are in South Texas and other places; African-Americans, if you will, citizen African-American; citizen Asian-Americans.

Maybe poor whites, rural Americans; are we facing that catastrophe? We have just heard in a country that I guess maybe because of the economy. In fact, both of them have higher unemployment rates than we have right now. I do not know what the diver-

sity of those nations. Maybe I will have enough time to ask that question. It would be interesting on that.

Would you, Ms. Reiff, tell us in your world, because I know that you may have a spectrum of which you practice it.

Ms. REIFF. Well, it was interesting to hear that figure from the chairman. I would like to go back and do a little research on that. We have offices in both Dallas and in Houston. We deal with immigration issues out of both of those offices with major and small employers who advertise and recruit incessantly for all skill levels in Texas.

I think, again, not being an economist or a statistician, but just looking at the caliber of the employers who would not hire a Baker and McKenzie to bring in immigrants, if they could actually find workers in the labor market and train them with their training programs.

So, I do not see it as a replacement issue. Again, I see it more as a national issue of not having enough people to fill the existing positions because we have a very strong economy. We have, even though I have said it is not a perfect program, but we do have a labor market test.

With lesser skilled positions, you are just not going to get a labor market test through under the current regulations. With the higher tech positions, you will test the labor market. You will prove ad nauseam that you have advertised this position to the market and that you cannot find a U.S. worker to take that position. That cost the company a lot of money to do.

So, I do not see companies replacing workers. They cannot do that legally. I also see companies reaching out to minorities, reaching out to people on Welfare and saying we want to retrain you. We want you in our workforce. We want to make this the best company ever.

Ms. JACKSON LEE. You do see them reaching out or you do not see them reaching out?

Ms. REIFF. I do. I see it in my capacity as a Workforce Committee member of Northern Virginia. I see it in my capacity representing big companies like Ingersol-Rand and Emerson Electric that have in-house programs where they go to inner cities and they go to rural communities.

They really try to reach out. The Web sites are begging people to send their resumes. We have 200 openings in a facility in Austin. Please come to us.

Ms. JACKSON LEE. With the confidence that has been given me, I wound my questions up and to give you one last question and both Mr. Clarke and Mr. Shroff one last question. That is I heard my good friend, Mr. Goodlatte, mention that he was a member of the Bar of Immigration Lawyers and asked, I think, Ms. Burdette to have some consideration of some different thoughts. Would you be offended? Would you be offended on being, see how would I say it, put out of business, or would you be offended if there was—when I say put out of business on some of the practices that you have?

If your businesses or their clients did a more enhanced effort to find American workers and go into rural areas and they might

come to you and say, you know, we have been able to get 50 percent, 60 percent from American workers based on training.

I mean, I represent some of the space technologies. I went to tour their area there and they have people with GEDs or less putting together a space pack that is going up into space at the International Space Station; Americans.

Would that bother you? Do you want to be on record as to whether that would offend you or how you would manage if that was to occur and do you think that is possible?

Ms. REIFF. Well, I am American. I think American workers should be hired and trained. That is a part of our mission. I am a lawyer. I do what I need to do ethically at the request of my clients. By law, my clients are required to test the U.S. labor market.

I think personally I would encourage them to seek out employees from the U.S. workforce and legally they need to seek out employees from the U.S. workforce. So, that is my role, to provide them guidance on those issues as well as other immigration-related issues. So, no offense at all. In fact, I think it is the right thing to do and the legal thing to do.

Ms. JACKSON LEE. And they can do it.

Ms. REIFF. Yes, and they do.

Ms. JACKSON LEE. Mr. Clarke and Mr. Shroff, if you can on your respective countries. One, give me the diversity of Canada and Australia, and are any of these sort of these points in place? Do you see an impact on the numbers of, if I might say non-whites, that are kept out of Australia or Canada with this kind of structure? Mr. Clarke.

Mr. CLARKE. Well, traditionally I think visible minorities in Canada is probably less than 10 percent. That is usually the figure that is given.

Ms. JACKSON LEE. That is the diversity? You are saying it is about 10 percent minorities. Thank you. In a country of?

Mr. CLARKE. Thirty million.

Ms. JACKSON LEE. Thirty million.

Mr. CLARKE. I would say since 1986 when immigration figures doubled, I mean they almost tripled, the immigration profile has also become very, very much more diverse. Just before you came in, I gave the top 10 countries for skilled workers for the first three quarters of 1998 which showed that those top 10 countries were China way at the top, then Pakistan, India, Taiwan, Iran, Hong Kong, South Korea, then France, Russia, and the Philippines.

Ms. JACKSON LEE. Skill workers coming in?

Mr. CLARKE. Those are the top 10 providers of skilled workers. I would say that the immigration profiles have become very, very much more diverse than it was 15 to 20 years ago.

Ms. JACKSON LEE. I would just emphasize since we are just being very frank that a high number of those are Asians who are coming in, in the technological industry.

Mr. CLARKE. Oh absolutely.

Ms. JACKSON LEE. Mr. Shroff.

Mr. SHROFF. Similarly for Australia. Since the 1960's, Australia has dismantled its White Australia Policy and has become a much more diverse nation. As Australia takes its place where it exist, it

has developed much closer ties with countries around it in the Asia-Pacific Region.

The category of independent migrants that I described, some of the leading nations contributing to that include India, Hong Kong, amongst others. So, it certainly is being used for attracting immigration from those Third World countries or non-white nations.

Ms. JACKSON LEE. Meaning, of course, responding to some of their needs of needing high tech or highly skilled workers. Those particular countries, being particularly susceptible to that. Our immigration, on the other hand has a drastic difference in as much as we are, one, in another part of the world on the borders of South America and Central America.

Therefore, a lot of our populations come from those communities. The one thing that I would like to conclude by simply saying is that we might find more common ground here than difference.

One, we might need to look at how we deal with the need for skilled workers. We might need to look more at how we train more inner city, minority, rural, poor Americans to take jobs, of which are now being created; more technological jobs.

We might look positively on the fact that you, at least, represent to me that you can see no under current of this structured policy in these nations, Canada and Australia, as being particularly directed toward leaving out certain populations.

I would hope as we begin to look at any changes in our immigration policy, that we would fall on that side of it. That it would not be a policy that is directed toward excluding those coming for political freedom, hope, aspirations, good quality of life because they come from a certain part of the world; Africa, the Caribbean, South America.

So, we can find common ground on making some improvement. With that, let me thank the witnesses for their presentations, all of the panels as well. I thank the chairman.

This hearing is now adjourned.

[Whereupon, at 3:35 p.m., the committee was adjourned.]



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